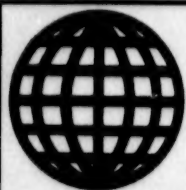


JPRS-EER-90-003  
4 JANUARY 1990



**FOREIGN  
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# ***JPRS Report***

## **East Europe**

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# East Europe

JPRS-EER-90-003

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## GERMAN DEMOCRATIC REPUBLIC

### CDU Organ Publishes Party Position Paper

90EG0080A East Berlin NEUE ZEIT in German  
25 Nov 89 pp 4-5

[Text of paper proposed for adoption by the special Christian Democratic Union of Germany party convention on 15-16 Dec 89: "CDU Positions on the Present and Future"]

[Text] Being aware of its responsibility for the past, present, and future of our people, the Christian Democratic Union of Germany [CDU] is facing up to the urgent tasks of the time.

The CDU recognizes its share of the guilt for the social distortions under which the people in our country are suffering. It is standing up for the kind of humane and democratic society that corresponds to a socialism under a Christian understanding. The standard for this is plurality and spiritual breadth, development of the personality and creativity for a society of true solidarity. It is thereby continuing on the basis of the founding appeal on 26 June 1945, the martyrdom of Christian anti-Fascists and the heritage of socially progressive and pacifistic Christian movements.

- The CDU is a party of Christians and other citizens in the GDR who are led in their actions for the good of the society by religious morality and values and by humanistic ethics and tradition. Justice, peace, and the preservation of the creation are its political objectives.
- The CDU is a party of democratic renewal. It advocates the rule of law and security under the law, for the protection of human rights and basic freedoms and for a strict separation of powers between parliament, the government, and the courts. It supports ideological freedom, a multiplicity of political opinions, and the public formation of the will of the people.
- The CDU is a party for Europe. In the political structures of a common European house, it is striving for a confederation of the two German states within the present boundaries, in which the unity of the German nation is realized. It can become a bridge between East and West and a stabilizing factor in the security and cooperation on our continent.
- The CDU is a party of peace. It supports friendship to all peoples. This is served by its cooperation with all Christian democratic parties and all Christian movements. It advocates disarmament and detente in the world as well as solidarity and justice, above all relative to the peoples of the Third World. It recognizes the guilt of German history, especially with respect to its European neighbors and the Jewish people, and consistently turns against fascism and anti-Semitism.

### Democratic Rights of Mature Citizens

The CDU stands up for a public life

- that views itself as a society of solidarity of all democratic forces, that proceeds on the basis of the maturity of citizens and respect for their dignity and interests and that is defined by tolerance in dealing with one another;
- that unconditionally respects the principle of equality of rights and equal regard for all citizens in all areas and at all levels regardless of their social origin and position, ideology, religion, or party affiliation;
- in which civil rights and obligations are precisely defined, the citizens are well informed and their consultation in the deciding of public affairs is guaranteed;
- in which every state office and every public function is understood as a service to the society and citizens and performed as such;
- that is based on the equal treatment of men and women, gives equal opportunities to women in employment and in the society, and promotes the family and parenthood in accordance with their importance, emphasizing them relative to other obligations.

### Secured Liberties Through a New Constitution and New Laws

The CDU advocates the rule of law and security under the law

- that is based on the unconditional respect for a new constitution that recognizes the people as the only sovereign, that secures the democratic rights and liberties of the citizen and is based on the separation of powers between the legislative, executive, and judicial branches;
- that provides for a state president elected by the people instead of a chairman of the Council of State, that precludes prescribing the leading role of one party, and that renounces the anchoring of the National Front in the constitution;
- that dissolves the districts, restoring the Lands that were in existence until 1952;
- that checks the constitutionality of all legal enactments through a constitutional court, to which citizens can also appeal, and that also guarantees democratic control of security organs through a committee of the People's Chamber;
- that guarantees the comprehensive legal representation of citizens through an increase in the number of practicing attorneys.



That requires

- a law on parties and a new election law;
- the rewriting of the law on the Council of Ministers and on the local parliaments;
- a revision of the penal code and the code of criminal procedure;
- the establishment of a law on the execution of punishment that, among other things, puts the execution of punishment under the Ministry of Justice and gives priority to the function of education;
- a law on passports and travel that guarantees every citizen a passport, departure and return in accordance with his wishes and that ensures former citizens of the GDR the possibility of regaining their citizenship;
- laws on the freedom to assemble and the right to demonstrate and to associate;
- a law on civilian service for persons liable to military service;
- a law on the press and media;
- the possibility of a judicial check of every administrative decision and competency of the courts to decide on the facts;
- the establishment of an audit office that ensures the complete disclosure of the state finances with respect to income and expenditures, including foreign exchange, and that is accountable to the People's Chamber;
- the revision of the tax laws;
- the legal regulation of foundations and inheritances in favor of nonprofit institutions;
- the passage of a law on data protection;
- the rewriting of the law on the People's Police that, among other things, places the section representatives of the People's Police under the local assemblies of the cities and communities, the municipal and traffic police under the county assemblies, the criminal police and stand-by units of the People's Police under the district or Land assemblies and the execution of punishment under the district or Land courts.

#### **For Free Elections**

The CDU advocates universal, free, equal, and secret elections

- in which exclusively parties, independent and with equal rights, submit themselves to elections with persons and programs;
- in which it is guaranteed that all election records can be reviewed before the next election;

- that preclude the holding of multiple offices by individual persons and limit the holding of higher public offices to 10 years.

#### **Unrestricted Action of the Churches in the Society**

The CDU advocates a relationship between the state and churches or religious associations and their members

- that proceeds strictly on the basis of the equal regard, equal rights, and shared responsibility of all citizens as well as the constitutional separation of church and state and that excludes any interference in the witness and service of the churches;
- that socially recognizes and supports the responsible contribution of the churches for a just, peaceful, and viable world;
- that further develops constitutional cooperation between the state and churches and utilizes it in joint responsibility;
- that appreciates and comprehensively promotes the diaconal, charitable, pastoral, and educational work of the churches as an indispensable service to the people;
- that further develops a dialogue of partners through regular exchanges of information;
- that guarantees the churches equal access to the media;
- that observes the protection of monuments and the preservation of sacral buildings as a task for the entire society and publicly supports the musical work of churches;
- that preserves the spiritual and cultural values of Jewish life and thought.

#### **For Integration of Foreigners**

The CDU advocates a foreigners policy

- that guarantees the social integration of foreign citizens;
- that provides for the appointment of foreign representatives to parliaments;
- that guarantees the free exercise of religion for foreign citizens and promotes church work with foreigners;
- that counteracts manifestations of a lack of understanding and xenophobia through instruction and information in the schools and in the media.

#### **Environmental Protection Is a Human Right**

The CDU advocates an environmental policy

- that proceeds on the basis of the unity of creation and creatures and in this sense promotes an environmental awareness and morality;

- that develops a constructive cooperation of the state environmental protection authorities with social and church groups, citizens' initiatives, scientific working groups, and other ecological associations;
- that is based on comprehensive legislation corresponding to international standards and an effective planning of environmental protection;
- that increases preliminary scientific work for economic environmental technologies;
- that consistently applies the causer principle to prevent and eliminate environmental damage;
- that assigns the conservation of nature to the Ministry for Environmental Protection;
- that expands the network of measurements for environmental data and ensures their unrestricted publication;
- that encompasses comprehensive programs for the ecological recovery of the forest, for keeping the air pure, for protecting the soil and for the fundamental resolution of problems with respect to wastes and dumps as well as the treatment of sewage;
- that develops the environmental awareness of citizens through an appropriate signet on essential goods;
- that does substantially more research and development of energy sources.

**An Efficient Economy With Social Responsibility That Is Evaluated According to Performance and Oriented to the Market**

- that proceeds on the basis of the material, cultural, and social needs of the citizens;
- whose central management and planning is limited to basic national economic proportions and in which the economic units of all forms of ownership have self-responsibility with respect to materials and finances;
- that proceeds on the basis of the sole competence and party political independence of economic units in their area of responsibility and in which trade unions are the only authorized political organization in the enterprise;
- that implements an effective differentiation of incomes in accordance with performance and responsibility;
- that reduces subsidies to a socially necessary minimum, whereby the social compensation is to be accomplished through income;
- that makes possible the establishment of efficient enterprises for consumer goods, services, and subcontracting, including private and cooperative initiatives, and promotes the development of private enterprises;

- that follows price-setting principles oriented to the market, gives the enterprises more rights in setting prices and leads in the long term to convertibility of the mark of the GDR;
- that gradually reduces the state's monopoly in foreign trade and that increases the participation of the economic units in the international division of labor through new forms of cooperation, including through joint ventures, whereby inclusion in a common European market is to be sought.

**For Research and Technology Serving the Individual**

The CDU advocates a science and technology

- that is bound to ethical norms and rules out developments that endanger the creation;
- whose progress relies on social conditions that develop the responsible and creative action of scientists, researchers, engineers, and technicians;
- that relies on the well-defined scientific potentials of universities, colleges, and academies as well as independent innovative enterprises and efficient scientific-technical installations;
- that is based on an adequate share of basic and preliminary research;
- that includes free access to international knowledge and utilizes diverse forms of international cooperation.

**For the Saving of City Centers, Church Buildings, and Monuments**

The CDU advocates an architecture

- that corresponds to the cultural traditions of our country and is in conformity with the social, intellectual, and esthetic needs of the citizens;
- that faces the alarming state of many cities and the prevailing monotony of our regions of new construction through a diversity in city planning and architecture and through building and transportation variants;
- that works on the basis of long-term plans for the territorial development of cities and transportation and follows the territorial principle, under which the local assemblies and their councils can take full responsibility for the construction;
- the serves to preserve and restore the culture, monuments and socioeconomic structures of the city centers, workplaces, residential areas, and community facilities;
- that provides for an appropriate and increasing share of the capacity for the maintenance and renovation of valuable sacral structures;
- that follows uniform building regulations of the GDR as well as independent building supervision.

**Plant and Animal Production Belong Together**

The CDU advocates an ecologically compatible agricultural, forest, and food industry

- in which out of responsibility for the feeding of the people the cooperative manner of production dominates and all other possibilities for the development of production, especially of fruit and vegetables, are also promoted;
- in which the LPG's [agricultural producer cooperatives] develop independently on the basis of internal cooperative democracy and decide for themselves on how they will use earned resources, including reimbursement;
- that makes possible the bringing together of plant and animal production on a democratic basis while considering traditional and village developments;
- whose price formation counters the waste and misuse of foodstuffs, that stimulates an increase in production and in which the financial outlays are differentiated in such a way that they promote both the performance of agriculture as well as the development of the villages;
- for which the Law on LPG's and the model statutes are rewritten, especially with respect to the regulation of property-law relationships between the members and the LPG, including ground, forest and contribution to the inventory;
- in which environmental stresses relating to excessive animal stock are avoided, feed is harmonized with animal production and adequate feed reserves are stored up;
- in which the material and technical base in the fields and stalls is fundamentally and rapidly improved in processing, transport, and storage, whereby fruit and vegetable processing is to be assimilated into the agricultural area;
- which has its own representation of interests in the form of the elected councils for agriculture and the foodstuffs industry of the counties and districts as well as centrally;
- in which an effective veterinary service includes allowing private veterinary practices.

**More Possibilities for Commerce, Handicrafts, and Trade**

The CDU advocates a policy in Commerce, Handicrafts, and Trade

- that is oriented toward the needs of citizens through a market economy and creates equal preconditions for state, cooperative, and private wholesale and retail enterprises;

- that makes possible profit-oriented commercial activity in that variable trade margins and agreed prices are introduced in wholesale and retail trade for all forms of ownership;
- that promotes the free development of the effectiveness of the artisan producer cooperatives through a new model statute and that guarantees their own responsibility in the utilization of cooperative property;
- that is based on a new performance-stimulating tax legislation and on uniform performance-related wage agreements according to occupational groups;
- that guarantees the supply of materials and equipment;
- that eliminates limits to the number of employees;
- that includes the establishment of a central chamber of handicrafts, a central chamber of trade and industry of the GDR and a new trade right.

**Comprehensive Medical and Social Care**

The CDU advocates a health and social policy

- that proceeds on the basis of an overall understanding of the individual and his health and that makes the ethics of service to people the focus of all medical and social work;
- that is oriented exclusively toward the patient and includes education in a healthy way of life, views prevention, therapy, and rehabilitation as a unit and is effective in new structures;
- that strives for social security for all people, especially for the infirm and the debilitated, which includes the comprehensive social integration of suffering persons and the promotion of their communities of interests;
- that includes protection for unborn life and therefore guarantees a more responsible handling of the law on abortion;
- that pays more attention to older citizens and extends their social opportunities through a pension reform;
- that supports working people who must temporarily give up their jobs to care for a family member materially, financially, and through labor law;
- that organizes public health and social services strictly according to the territorial principle, frees physicians from extraneous administrative and managerial tasks and makes possible their private licensing;
- that ensures a stable material and technical supply and a noticeable improvement of buildings;
- that provides for an occupational association and representation of interests.

### **For a Humanistic and Democratic Culture**

The CDU advocates a cultural policy

- that from Christian responsibility is aimed at the development of human individuality and creativity as well as a respectful treatment of our neighbors and environment, thereby serving the common good;
- that understands the arts as an element of our life, gives the best possible opportunities for artistic activity and includes and promotes all forces that are committed to humanistic ideals and Christian values as well as anti-Fascist and democratic goals;
- that guarantees artistic activity unhindered by any regimentation and administration;
- that opens itself to all the spiritual wealth of our people, Europe and the world, clearly stands by its Christian heritage, takes up its traditions and spiritual-ethical tenors and makes them fruitful for the renewal of the society;
- that utilizes the creative forces of the family, promotes a differentiated group culture and ensures the participation of handicapped citizens in cultural life;
- that attaches a greater importance than heretofore to the discovery and development of all talents and thereby promotes the broadest and most intensive possible cultural and artistic participation of the people;
- that proceeds on the basis of the self-responsibility of artists and their associations, of the theaters, orchestras, book publishing houses, editor's offices, museums, galleries and others, which includes, among other things, the establishment of private galleries and free theater groups;
- that does away with the mediation monopoly of state agencies and institutions and subjects the use of all financial means of the contracting agencies, the GDR Culture Fund and other forms of promotion to public control;
- that invites applications for the filling of key artistic functions and that makes the choice democratically and publicly, whereby professional competence must be the precondition;
- that develops the material and technical preconditions for cultural and artistic activity according to need;
- that maintains and preserves the treasures still in existence through a substantial increase in the means and forces for the care of monuments and restoration, gives the museums and collections the mission and the resources to buy up and make accessible works of GDR art as well as new museum material such as for technology and social history and prohibits the selling off of cultural assets.

### **Political Maturity of the Younger Generation**

The CDU advocates a youth policy

- that provides young people every opportunity to develop their own personality, gives them trust and enables them to deal independently with problems and to grow into social responsibility;
- that gives young people the freedom that promotes their own creativity and enables them to handle conflicts;
- that involves the younger generation in the formation of our society in such a way that they can become politically effective with their own ideas and conceptions;
- that implies the plurality of youth organizations, including the Christian Democratic Youth (CDJ), which is open for young Christians and acts independently in a conceptual partnership with the CDU, whose board and press support them.

### **Equal Opportunities Through a New Education Concept**

The CDU advocates a new and democratic educational system

- that guarantees education in the spirit of peace, humanism and the preservation of the creation while proscribing any suggestion of racism and nationalism and that precludes all forms of discrimination on the basis of different ideological positions;
- that proceeds on the basis of the totality of the personality and makes possible the full development of individuality with a view to a life filled with meaning, with the particular promotion and integration of the infirm and handicapped;
- that guarantees the education of a competent citizen, in that the learning individual is enabled to act in accordance with ethical principles, and that imparts socially relevant knowledge at all levels, contributing to the raising of people who are capable of making decisions in democracy;
- that guarantees a balance between general and special education depending upon the objective of the respective occupational levels and that secures a continuity of education, that is, different paths of continuing education, and includes a 4-year preparation for the matriculation standard for higher education;
- in which education takes place independently of direct political and ideological influence through particular parties, organizations, or ideologies;
- that transfers participation in youth consecration from the responsibility of the school to the free decision of parents;



- that constitutionally guarantees the educational primacy of parents and grants freely elected parents' representations a greater say and control in all relevant educational institutions;
- that guarantees the say of pupils through student councils;
- in which pedagogical, scientific, and ethical vocational criteria alone are decisive in the choice of a profession and the evaluation of teachers and the nomination of leading personnel is based only on professional competence and responsibility and the maturity of the individual and not on party affiliation;
- in which there is a larger offering of elective and selectively compulsory educational opportunities and in which there can be instruction in foreign languages in accordance with social needs and individual interests;
- that in higher education establishes not Marxist-Leninist training but a general course of study in which ideological and social-theory concepts are imparted and special consideration is given to the history of the culture, philosophy, religion, and individual sciences as well as to economic methodology;
- that grants the universities and colleges legal autonomy and restores the self-responsibility and latitude for action of the full professorships;
- that makes possible new forms of student representations of interests and ensures independent study with extensive individual opportunities.

#### **Multiplicity of Opinions and Truthfulness of the Media**

The CDU advocates a media policy

- that is committed to the norms of journalistic ethics, the principle of truthfulness and the principle of freedom of the press, that gives room to multiple opinions in which objective facts are determinant and that guarantees the legal protection of the journalist;
  - that legally establishes the rights and duties of the press, radio, television, and news agencies, a relationship between publisher and editor's office that is free from the interference of third parties, and the duty of all state, social, and enterprise administrations to provide information as well as provisions on opposing opinions;
  - that limits the function of the government spokesman to comprehensive information on the work of the government and to official pronouncements of the government and paves the way of journalists to the ministries and other central offices;
  - that provides for the establishment of central television and radio councils made up of representatives of all parties who are responsible to the people's assemblies at the corresponding level; they should guarantee
- a participation of the parties in the organization of programs and in personnel matters;
  - that offers considerable latitude to all parties and other political forces for discussion on television and radio, whereby in the preparation for elections the parties receive equal station time at their own responsibility;
  - that is aimed at having the actions of popular assemblies and their organs at all levels as well as the work of the parties presented in the press, television, and radio;
  - that makes possible a suitable reflection of church and religious life at home and abroad in all media;
  - that regulates the opportunities of foreign correspondents to work in the GDR in accordance with international practices;
  - that ensures an adequate circulation of newspapers and magazines;
  - that makes possible an expanded supply of press materials from throughout the world.

#### **Party Work Oriented Toward the Basis**

The CDU is implementing internal party work

- that is based on a politically effective democratic structure;
- in which the will of the members is expressed authentically and democratically everywhere and determines the political action of the party at all levels and in all bodies;
- that challenges people to take part in an open and militant discussion that knows no taboos, that in its efforts for a decision supported by all members also permits minority votes, and that does not present a consensus achieved out of contradiction as unanimity;
- in which the local groups decide on political standpoints, willingness to cooperate and demands of the CDU on development in the territory;
- that sees to it that the boards at all levels inform one another and justify their standpoints;
- that makes it possible for all boards to fulfill their responsibilities without restrictions; that demands, among other things, adequate time for discussion as well as for the acceptance of reports from the representatives of the CDU in all elective functions outside the party;
- that ensures its effective commitment to the disclosure of finances;
- that includes the reorganization of the activities of the central training site "Otto Nuschke" as a place to meet as well and that includes additional forms of political qualification.

### Legal Scholar Views Democratization

90EG0087A East Berlin DIE WELTBUEHNE in  
German Vol 84 No 48, 29 Nov 89 pp 1505-1507

[Article by Prof Dr Rolf Steding, of the GDR Academy of Political Science and Jurisprudence, chief editor of STAAT UND RECHT: "Learning and Democracy"]

[Text] The renewal, as we want to bring it to fruition, needs nothing as urgently as new thoughts and practices, new intellectual achievements, new concepts that can make the image of socialism in the GDR attractive. The demonstrations of recent weeks, but also the most recent sessions of the Chamber of the People, have shown that where socialist democracy is concerned, many new considerations have to be rendered suitable in terms of policy.

Socialism is unthinkable without developed democracy. Taking the contradiction between those who govern and the masses as a point of departure, a contradiction that also exists within socialism, democracy requires that the exercise of governing authority be made to reside firmly in the hands of the people, that every citizen be regarded as a subject of the formation of the will of the state. In this sense, democracy is a necessary existential and developmental prerequisite, but at the same time, it is also a key question in the competition between our system and capitalism.

Now we have pledged ourselves to the cause of democracy, for example, in the platform of the party, in the formula, by which the further development and perfection of social democracy is the primary direction in which socialist governmental power will develop. Yet, right as this assertion is, in my view, it is by no means enough. And: it will no longer be possible to assert that it is a concept of democracy. Rather, it is being demonstrated that it was nothing more than a political orientation, one that, unfortunately, was not taken seriously by those in power, and one that was mightily limited and hampered by political machinery. As experience shows, the crux lies not in the fact that as far as democracy was concerned, at least, a demand was made regarding its development and perfection, but rather in the fact that the thought of democracy, up to that point, had not been given sufficient theoretical consideration, and consequently, it was realized, in practical terms, only to an insufficient degree. Among other things, that applies to the basic rights of the citizens, the right to vote, or the political cultivation of the workings of party or state.

We shall be able to dismantle the deficit in terms of democratic theory only if we expose the roots of socialistic democracy in the history of thought, if we consult the classics of Marxist-Leninist thought once more without prejudice, and only if we liberate ourselves from the fears of tampering with the traditions of civil democracy that are worthy of preservation. To be sure, we shall not be able to make socialist democracy more attractive in the future by resorting to a simple, or even a total return to the mechanisms of civil democracy, but there

are several forms that are of interest to us, as the many traditions of civil democracy show us. Yet, above all else, we are committed to our duty to find solutions that arise from the system itself, ones that are in keeping with the identity of socialism.

The necessity of dealing with democracy within socialism in a new way, places us in the midst of a learning process. Within the context of this process, our first task must be the breaking down of old structures that have hampered democracy, then to find new forms that render vital democratic actions possible. Here we can profit from the lessons in the development of democracy in the USSR, from actions in the FRG, such as those initiated by the peace movement or the Greens, lessons that, unfortunately, we have only cast to the winds thus far. But, developments of our own within recent weeks permit one to draw the conclusion that the capacity, the will, and the readiness to learn in the process of the development of democracy are enormous. Such original forms as cultured demonstrations, Sunday fora, or public debate in local representative bodies, or in the Chamber of the People provide proof of this fact.

Unfortunately, dangers for this process lurk in many corners. Without a doubt, one of the chief dangers is action on the part of one governmental apparatus or another. Being ever mindful of the fact that a party, state, and security apparatus will still be necessary in the future, it is imperative to strip this apparatus of its power as quickly as possible, to rein it in, and control it. Above all, that means that this apparatus must be forced to assume the function of a "servant" of democratic committees; its activities must be carefully monitored and controlled, and it must be compelled to deal with all those tasks with which it is charged in a clear and open manner. The official secret—according to Max Weber, the specific invention of bureaucracy, by means of which it conceals its knowledge and activity from public criticism—must be stripped of its veil. Civil procedures cannot serve as a measure for us in this process. We must go farther in Socialism.

One point of understanding must be reached without doubt in a fundamental question of the development of democracy: whoever still believes that the New is nothing more than the Old that has not been addressed as yet, is approaching the new dimension of Socialistic democracy in a non-Marxist fashion. What is needed is more than "repairing"; we need a new principle, grounded in democratic theory, one with new mechanisms, and, above all, one with powerful sanctions for all political representatives, so that any action that would be damaging to democracy would, of necessity, result in painful repercussions.

If we wish to solve the problem of democracy within socialism successfully—and we must—then we cannot continue to skirt the issue of redefining the concept of the state, which reduces the socialist state more or less to its primary role as chief instrument of social development. That must be achieved, above all, by recalling the



tenet that holds that the state is a communal undertaking, a form of organization for society. Only such an understanding of the state makes access to social democracy possible—as Lenin put it—to “recognition of the equality among the citizens, the equal right of all to determine the state’s constitution, and to administer the state.” Any authoritarian machination on the part of the state—be it in open or veiled—blocks this access. Neither arrogance of power nor ignorance of different points of view may be permitted to gain the upper hand ever again. The leadership role of the party can only be utilized in democratic forms, as intellectual competency and convincing power, together with all forms of political power.

From the community representative bodies all the way to the Chamber of the People, the peoples’ representative assemblies must, to an ever greater degree, take on the profile of working, power-wielding entities that yield no quarter to the apparatus of the state as they mobilize in the realization of their own interests. The age of the censors outside the peoples’ representative assemblies should be just as irrefutably over as the period in which the attempt was made to administer the GDR from its center, like a city-state that consisted of Berlin and a superfluous “surrounding country.”

If a great dialogue is taking place among our people at the present time, it is fitting and proper to say of this dialogue that in principle it lives from democracy as a topic, but it is, in itself, an expression of the democracy that must be learned in our country. In other words: the renewal of our society must be a democratic renewal, but at the same time, it must be a renewal of democracy itself. In the process, the necessary look forward in Marxist understanding requires a backward glance, the result of which will determine what (and this, too, must not be lacking: who) has hindered us in the development of democracy. We cannot take the easy way out, because if we do not clarify this question, we will not be prepared to withstand the next negative development.

## HUNGARY

### Voter Group Analysis: Who Will Wield Power?

25000546 Budapest HETI VILAGGAZDASAG in  
Hungarian 18 Nov 89 pp 74-75

[Article by Elmer Hankiss, sociologist and political scientist: “The Chances of Acquiring Power; the People Received From God”; first paragraph is HETI VILAGGAZDASAG introduction]

[Text] In the final segment of his series of articles dealing with the chances of acquiring power, the author, a sociologist and political scientist, analyzes opportunities available to the people’s (populist) groups which have not organized themselves into political parties. He concludes that the future of political parties will be influenced by the recognition of poverty as a source of power,

or the inclusion of the representation of women—perhaps the largest voting group—in policy platforms.

In parliamentary democracies the “god given people” are one of the chief sources of political power, (only one of the sources, because traditional institutions, prerogatives on the one hand, and economic factors on the other, also constitute important sources of power). Most of the time people do not, or are not able to directly participate in the exercise of power. There is a certain opportunity to exercise an almost direct power on the day of national and local elections and in national referendums, and there is a similar chance during the relatively brief periods of broadly based (national) political strikes, actions, and protestations. During the rest of the time the people delegate their power for shorter or longer periods of time to the political elite, and within that to parties, and to the leading groups of interest protection organizations. Two questions must be raised here. First: To what extent will the people entrust their representation to the political elite, and conversely, to what extent they will directly exercise their power. And second: To which parties, and to which interest protection organizations will the various social strata/groups delegate their power in the upcoming months, including the election period.

If the standard of living further declines, and if social security further deteriorates, power may be directly exercised in the form of broadly based strike waves and protests.

It is possible that in such cases the Hungarian Socialist Party [MSZP] would be forced to permanently surrender its predecessor’s liberal-thatcherist program, and to redefine the French and Italian socialist program of the 1960’s. Within the Social Democratic Party the clock would have to be set back 20 or 30 years perhaps, because today’s image of West European welfare social democracies would have to be repainted with the more stern, fighting colors of the 1960’s German social democracy.

The National Council of Trade Unions [SZOT] has opened its flood gates already, even though for the time being the water is flowing in a different direction from Pecs, Komlo, Ozd, Herend, and Pet. We are aware of the disgraceful role SZOT’s oligarchy of the early 1970’s played in reversing economic reform processes. But the present leadership would have a relatively easy way of bouncing into a favorable position, particularly if no party speaks up credibly for the interests of the sad and increasingly saddening army of “wage earners and salaried employees.” In this way SZOT could acquire a not negligible societal role, together with a huge power base, because in the course of a few months a mobilized working class and bureaucracy, concerned with its own living conditions and demanding its own rights, may swell into the largest societal force in the country.

In the villages the struggle is open, and is just beginning. One stratum is already successfully organizing. This is the caste of “green barons,” i.e. the leadership of state

farms and producer cooperatives. They won their first great victory at the 1985 elections: Along with the industrial barons, they were the ones who acquired the most mandates. Thereafter they succeeded in preventing a situation in which corporate law would open their farms to market competition, and later on, in the first run they were able to formulate the amendments to the land law and to the cooperative law so as to enable them to preserve their power, or if needed, to transform their power into market power or capital. At this moment they are the ones who constitute the strongest economic and political power bloc in the countryside.

The farming community, agricultural small entrepreneurs, and in general village society have a theoretical chance of establishing defenses against this group. The parties could assist in building these defenses (while increasing their own respective powers). The primary candidates for providing such assistance would be the Smallholders Party, the People's Party, the Hungarian Democratic Forum [MDF], and the Christian Democratic Party. These farming communities, small agricultural entrepreneurs, and village society could also help themselves by establishing their own organizations on time. Local autonomous governments and the networks of farmers' circles, or the Peasant Alliance, and if they were able to revive, and further develop on the basis of the Scandinavian example, the prewar cooperative movements: Based on these, the village society itself could turn into a serious power base. Unfortunately, as of today there is little movement in this area.

Poverty may also become an important source of power, however odd this may sound. Beyond words, as of today only the charity provided by councils and private organizations cares for the poor, and community initiatives for social care are in process. For the time being the government is trying to salvage the sinking boat, and its smallest concern is greater than trying to save those crouching at the bottom of the ship. The government underscores that all passengers will be well off if it succeeds in steering the boat to more calm waters. The parties are battling only with words on this issue, even though the party capable of enlisting the support of this stratum, either by way of empty promises or by manifesting an honorable intention and a serious program, may receive between 20 and 25 percent of the votes in exchange. And if the pensioners also side with that party—and not just the poorest of pensioners—a few velvet covered chairs may also take shape in the image of the future.

I really do not understand why a hurried race to enlist the support of these strata has not started. One could assume that the Hungarian Socialist (Workers) Party [MSZ(M)P] will make attempts in this direction, even though it would be odd for the former revolutionary workers party to run as a "pensioners' party" in the elections, or for the rich heirs to the pro-Kadar oligarchy to descend into the arena as the "poor people's party." The Social Democratic Party, the Christian Democratic Party, and the MDF would have relatively good

chances—and less dissonance—in adopting this program. (I would not dare to recommend this to the others.)

There is no Hungarian party which has tried to enlist the support of women, the largest voter group. For the time being, politics are very brusque and masculine. Not a single program appeals to housewives who hold families together, and in general to the emotions, interests, and desires of women. The Smallholders, the Christian Democrats, and the MDF have made some faint attempts in this direction, but for the time being no sign indicates that these parties have given serious consideration and paid attention to women's points of view. True, according to Western professional literature only between 15 and 20 percent of women cast votes different from their husbands, but no statistical data show whether in the combined framework of the two votes wives followed their husbands, or husbands followed their wives.

The professional orders are the remaining sources of power. These include the police, army officers, public officials, in other words the expert groups of state, county, and city apparatuses. As of today, the police are still the MSZ(M)P's police, and is still one of the MSZ(M)P's power bases, but the relationship between the two has relaxed: Hopefully and gradually, after the elections the police will come under the control of the prevailing central government and local autonomous governments. By virtue of tradition, army officers in Hungary do not play as significant a political role as they do in Poland or in most Latin American countries. This does not mean that certain political forces would not try to win them over as allies or for their political purposes. This possibility and threat will also be forcefully reduced after the elections.

Significant power is concentrated in the hands of bureaucrats and experts. They are the ones who write the laws and regulations, they operate the mechanism provided by public law, as well as the state, branch, and local institutions. The opposition parties do not have a counter force that is ready to jump and replace these people overnight. They are, and will be in a relatively good bargaining position after the elections. If the new government to be partly or wholly composed of today's opposition representatives does not make the mistake of wanting to place its own cadres and clients everywhere, but instead adopts the best of the existing officials and experts, the country will have taken the first step on the path of formulating a specialized bureaucracy and public officialdom which is neutral and disciplined in a Weberian sense. The present specialized apparatus is probably going to hinder evolution unless the opposition parties are able to convince it that they will play a role in the new setup. This is understandable.

I have not discussed the intelligentsia separately and in general, even though its mass of several hundreds of thousands represents significant power. The intelligentsia are deeply divided and fragmented. They are present

in both the old and the new political elite, in all parties, in the expert team of public administrations, and they also belong to the category of those who make a living from salaries. Their chances of enforcing their interests are improving, but these interests will prevail through the above-mentioned power centers.

Who will wield power? The well-dressed banking boys? The cadre children who have cleverly made their way into the market? The new bourgeoisie? The stockholders? The petty monarchs around the River Tisza? The party oligarchy that is rising from its death? The new political elite which follows the legacy of Deak, Eotvos, Jaszi, and others? The workers' autonomous governments? The local autonomous governments? The parties of the poor or of the rich? The people to a larger extent than the elite? It would be beneficial if power would be held not by a single social group. It would be beneficial if in the course of the election campaign the large bases of power would find their own efficient political representation. It would be beneficial if within the new Parliament there could begin at last an open and sober reconciliation, struggle, and harmony of these opposing interests.

#### **Romanian Refugee Situation, Assistance Described**

25000543 Budapest NEPSZAVA in Hungarian  
14 Nov 89 p 9

[Interview with National Assembly representative Gyorgy Mark, by Imre Szenes: "The Way the Leader of Romanians in Hungary Sees It"; date and place not given]

[Text] "What have you done again?" This question is frequently asked in the city of Gyula when Hungarians discuss with their Hungarian friends from Romania the conditions and politics in, and new reports from nearby Romania. "We shouldn't be blamed for any of this..." the Romanians say in various ways, and most of our fellow Hungarian citizens accept this response. Thereafter these mundane skirmishes and answers end up in the usual discussions about local public and private affairs.

A majority of the more or less 25,000 Romanians in Hungary live in Gyula and in a few settlements in Bekes County. A minority of these live in Hajdu and Csongrad counties. The Democratic Association of Romanians in Hungary is also headquartered in Gyula. National Assembly representative Gyorgy Mark is the Association's executive secretary. He granted us an interview.

[NEPSZAVA] In what ways are the existence of the nationalities and the rights of Romanians living here affected by the present economic situation and by political changes in Hungary?

[Mark] They are affected the same way as Hungarians are. But it seems that in this great process of change, less time is spent on nationalities issues, even though this

issue requires daily attention. I understand, of course, that major national issues are more important at present.

[NEPSZAVA] And yet, our first nationalities law is being developed, and your association obviously took part in establishing its basic concept.

[Mark] Yes, and hopefully the concept established in this way will be made the subject of a nationwide societal debate. The realization of this concept depends not only upon national minorities residing here, it depends much more on the nation that is in the majority. Even though the previous constitution also declared our minority rights, it did so only in general terms and the fulfillment of most of these are optional; in other words, much depends on the benevolence of the state and local councils. This is why it is necessary to have a separate nationalities law which spells out specific legal provisions. The most essential element of this will be the fact that it guarantees the consistent enforcement of the individual and collective rights of nationalities with regard to every aspect of society. This is so that we do not repeat the educational policy of the 1970's which limited the teaching of nationalities in their respective native languages, so that they do not become disadvantaged when continuing their education. Accordingly, they should not decide about us without involving us. Therefore, even though we maintain good relations with local councils, we have decentralized the interest protection work of our association by establishing nationalities committees in settlements inhabited by Romanians.

[NEPSZAVA] How do you regard the activities of the college of national and ethnic minorities, established alongside Minister of State Imre Pozsgay?

[Mark] This college is the first achievement of the nationalities concept. It will function as an advisory organ to the government, and it operates with two sections. One will deal with the ethnic minorities in Hungary, the other will be concerned with the sociopolitical issues of Hungarians residing abroad. In my view, this college should organize and direct societal debate over this concept. This could take place prior to the elections, and thus could be linked to increasing pre-election political activities. Every nationality in Hungary is interested in the success of the present reform processes and in the peaceful evolution of our constitutional statehood.

[NEPSZAVA] What chance is there for national minorities to receive representation in Parliament as a result of the upcoming elections?

[Mark] As of this moment, this matter is uncertain because in our view the issue was not resolved by the fact that every citizen belonging to a nationality may participate in electing a candidate for the National Assembly according to his place of residence, irrespective of the party he belongs to. For this reason, the four nationality associations in Hungary dispatched a joint letter to Minister of State Pozsgay suggesting that they enable in



some form independent parliamentary representation of our minorities in some form, independent from political parties.

[NEPSZAVA] Not too long ago the Hungarian Democratic Forum [MDF] held negotiations with your association. What was the purpose of these talks?

[Mark] This came about in response to their initiative. It is their goal to establish relations with every nationality association. We reached an agreement in principle for the establishment of a joint 6-member committee with members equally divided between the two organizations, for the purpose of mutual information exchange and cooperation. Other parties have not yet stated their intent to establish such a relationship. On the other hand, this has been a continuous activity insofar as the Hungarian Socialist Party [MSZP] was concerned. At the same time, we were surprised to hear that not too long ago the opposition parties, with the MDF participating, conferred about national minorities issues, but they did not invite a single ethnic minority association in Hungary to this meeting. We really would like to see a situation in which no one negotiates without us about issues that affect us.

[NEPSZAVA] What relationship does your association have with the government and the cultural institutions of the home country?

[Mark] Unfortunately, in recent years such relationships have decreased to a minimum, and we are very sorry for that. We voiced this matter at last year's congress of our association. The continued education of Hungarian resident educators in Romania takes place only in the framework of the interstate agreement. True, on occasion we are negotiating such matters with the Romanian embassy in Budapest. That's all....

[NEPSZAVA] This is surprising because the Hungarian state and government are endeavoring to establish multifaceted relations with Hungarians in Transylvania, so that they can be helped in preserving their national existence, language, and culture. Could it be that the Romanian government manifests indifference toward Romanians living in Hungary because it expects the manifestation of a similar attitude by the Romanian government toward Hungarians in Transylvania?

[Mark] This issue should be probed with the Romanian government. All I can say in this matter is that it is the duty of every state to ensure the enforcement of individual and collective rights of national minorities residing within its borders, including the opportunity to maintain mutual relationships with their homeland. Quite naturally, we are also applying this principle to Hungarians of Transylvania. After all, this is what we would like to see with regard to our homeland, but we are not the ones to be blamed for the failure of this effort....

[NEPSZAVA] What effect does the grave deterioration of Hungarian-Romanian interstate and political relations—the background of which we are aware—have on

the situation of Romanians residing in Hungary, and on the relationship between these Romanians and the Hungarians around them?

[Mark] Most certainly this is very harmful to the Romanian as well as the Hungarian people as a whole. And it is particularly damaging to the nationalities of both countries, because no continuous and mutual bonds can develop, and no relationships can be established with their homelands. Accordingly, this situation also deforms their relations with the majority nation of their homeland. In our area, for example, part of the Hungarians judge the Romanians residing here on the basis of Romanian political features.

[NEPSZAVA] What is your association's official position concerning human rights conditions in Romania, and in particular with regard to the rights violations suffered by Hungarians in Transylvania?

[Mark] As a minority, we are condemning with increasing sensitivity all kinds of oppression with regard to nationalities and the disregarding of minority rights, irrespective of the country in which such practices take place. Our views are fully consistent with those proclaimed in the Helsinki Accord. It is very important for every nationality to be able to regard his place of birth as his homeland, in the fullness of his rights as a citizen. We have voiced this view of ours in the official pronouncements of the Association.

[NEPSZAVA] What effect does it have on Romanians living in Hungary, that together with Hungarians from Transylvania, many Romanians escape to Hungary?

[Mark] Very many Romanian refugees visit our association. We are doing what we can in their interest by giving advice. We are trying to enhance their continued education, their adaptation. We have distributed a large number of Romanian-Hungarian dictionaries among them. Some Romanian families living in Hungary have accommodated these refugees. There is not much more we can do, partly because a great number of the refugees move away from Gyula. They are trying to settle in Budapest because they think that it would be easier in Budapest to find jobs commensurate with their trades, or to prepare for their continued journey abroad.

#### **DEMISZ Property Salvaging Suspected**

25000544F Budapest NEPSZABADSAG in Hungarian  
13 Nov 89 p 9

[MTI report: "Another Salvaging of Property?"]

[Text] According to reports, the Jack of All Trades Enterprise will surrender its rental services serving youth, and will discontinue its subsidiary engaged in the rental business because that business is run at an unusually large deficit and it does not produce enough profits to make its continued operations worthwhile. Jack of All Trades would become a stockholder in Construction

Machine Rental, Inc. In exchange it would surrender its 16 rental shops and equipment as a capital contribution.

Mrs Istvan Szalmas, director of the subsidiary, claims that an intent to salvage property is behind this action. Jack of All Trades intends to sell its assets, worth a minimum of 80 million forints at book value, at half price. Since the Law on Transformation goes into effect next year, it is apparent that the share received after the capital contribution should go to the Democratic Youth Organization [DEMISZ] and not to the parent company. Previously the rental network was established by the State Youth Committee and by the Communist Youth Association [KISZ] with an initial capital of 32 million forints. The director of the subsidiary believes that the source of loss may be found in the fact that prior to the establishment of the subsidiary in 1984 they "forgot" to sort out the rejects. Since this would have been their task, understandably they were unable to register any particular profits. Despite this fact, last year's losses amounted to only 5 million forints. Although the firm was able to record profits this year, the parent company has decided in favor of a transfer.

Mrs Szalmas believes that Construction Machine Rental, Inc. primarily needed the network of shops. It does not feel strongly about youth tourism, and she feels that the entire action will lead to the shrinking of rentals to young people. Much more profits could have been gained if the National Sports Office and DEMISZ had formed a limited liability corporation with the subsidiary. Both organizations supported this idea in September; they supported the idea of retaining the rental business, but a month later DEMISZ stepped back.

According to Ivan Balogh, president of the Jack of All Trades Enterprise, there is nothing objectionable with regard to this decision. He regards references to the salvaging of property as without foundation.

#### **Details on MDF Call for Referendum Boycott**

25000544E Budapest NEPSZAVA in Hungarian  
15 Nov 89 p 5

[National Press Service report]

[Text] We will not go! We will not vote! This statement was issued by the presidium of the Hungarian Democratic Forum [MDF] concerning the 26 November popular referendum. The reasoning states that three of the four questions for which popular vote is to be cast have already been settled by the legislature. A law has abolished the Workers Guard. A law has provided for the liquidation of party organizations at workplaces. A law requires parties to account for their assets—the courts will not register the Hungarian Socialist Party [MSZP], and the MSZP cannot run in the elections, unless it provides an accounting. The method and timing of the election of the president of the republic do not at all influence his constitutional authority.

We want a rapid and real democratic turnaround rather than political fireworks which serve party interests, so they say, and this purpose is not served by the spectacular and costly affirmation of yesterday's decisions, but by the earliest possible call for parliamentary elections. We have had enough of pseudo-decisions, of surface democracy.

#### **Otto von Habsburg Charts Path to Common Market**

25000544C Budapest NEPSZAVA in Hungarian  
13 Nov 89 p 3

[Unattributed article: "Hungarian Chances in the Council of Europe; Otto von Habsburg Press Conference in Vienna"]

[Text] There is a chance that by the end of next year Hungary will become a member of the Council of Europe. Otto von Habsburg, chairman of the Pan European Union, and a European Parliament representative, underscored this point at a press conference held in Vienna Saturday. The briefing dealt with timely international issues.

Dr Habsburg pointed out that the Council of Europe, whose activities are based on the efforts and ideals that have been pursued by the Pan European Union for many decades, is playing an increasing role in the rapidly changing political situation on the Continent. Hungary's joining the organization may be the first important step in its approach to Europe. Acquiring European Free Trade Association [EFTA] membership offers itself as the next such step, and this seems the more useful because an ongoing study at the European Parliament tries to figure out how EFTA could be strengthened so that its members have a path that leads toward the European Community. It is presumed that it would take a longer period of time before Hungary could join the Common Market because Hungary is experiencing great economic problems, nevertheless it is a proper expectation that Hungary will be able to recover, according to the prestigious politician.

Otto von Habsburg expressed satisfaction over the changes in Central and Eastern Europe, and in particular over recent developments in the German Democratic Republic and Bulgaria. These events did not come as a surprise to him, according to Dr Habsburg, because he had had occasion to visit both countries in the recent past, and was able to personally feel the need for a democratic turnaround.

The European Parliament representative emphasized that under difficult conditions, Hungary has played the leading role in the democratization of Eastern Europe, a matter which may have invaluable effects upon establishing unity on the continent.

Responding to MTI's [Hungarian Telegraph Agency] Vienna reporter, Dr Habsburg confirmed that he continues to claim Hungarian citizenship.

### **Workers Guard Weapons Inventory Provided**

*25000541C Budapest NEPSZAVA in Hungarian  
16 Nov 89 p 5*

[Unattributed article: "60,000 Submachine Guns from 180 Places: Workers Guard Assets in the Process of Being Inventoried"]

[Text] Removal of the Workers Guard's weapons to military storage facilities has been completed; this was said by Ferenc Markovics in response to a question by an MTI [Hungarian Telegraph Agency] reporter. Markovics, head of the Council of Ministers' defense office and government commissioner in charge of liquidating the Workers Guard, said that they had removed 60,000 submachine guns, 53,000 revolvers, 4,700 light machine guns, and 600 machine guns from 180 locations. The government will decide on the disposition of the weapons.

At present, Workers Guard property is being inventoried. We are cancelling council lease agreements, and the Ministry of Finance has invited bids for buildings and various valuables owned by the Workers Guard. The goal is to sell these properties at as high a price as possible.

The government commissioner also said that half of the 617 professional workers guards will retire. This is based on the opportunity provided by law according to which members of the armed forces may retire after 25 years of service. Quite a few of them will find jobs with the police, the Army, and in the penal system. The rest will receive salaries for a year. During that time they may look for other jobs. The placement of more than 300 civilian employees raises concern because they are entitled to early retirement benefits and they can be dismissed with 6-weeks' notice. Nevertheless, the State Wage and Labor Affairs Office is trying to help these employees as much as possible.

In conclusion, the government commissioner said that liquidation is proceeding according to a predetermined plan.

### **Parliament Urged To Rule on County Newspapers**

*25000544D Budapest NEPSZAVA in Hungarian  
15 Nov 89 p 5*

[National Press Service report]

[Text] The presidium of the National Association of Hungarian Journalists [MUOSZ] recommends that the National Assembly urgently place the situation of county newspapers on its agenda and settle the problem. MUOSZ requests that Parliament provide a provisional rule. It seeks settlement of the issues only for the period during which today's information monopoly prevails in the counties. It requests this even more so because this time period coincides with the decisive period of a more democratic transition.

MUOSZ agrees with the endeavors of county editorial offices to the effect that daily newspapers which presently enjoy a monopoly become democratic media in the future, independent of political parties and organizations.

Our recommendations:

1. County newspapers, just as the MTI [Hungarian Telegraph Agency], Hungarian Radio, and Hungarian Television, must be regarded as national means for information provision. Parliament should determine the method of democratic oversight.
2. The functional order of editorial offices should be determined by the collective.
3. County publishing enterprises should become business organizations independent of parties.

### **Hungarology Center Opens in Lower Carpathia**

*25000544B Budapest NEPSZABADSAG in Hungarian  
11 Nov 89 p 5*

[Article by Janos T. Rac: "Noble Ideas Turn into Actions, at Last"]

[Text] It took barely 6 months to complete the Soviet Hungarology Center at Ungvar, the fifth such scientific institute in the world, and the first one in a socialist country. The 10-million-forint establishment was financed by the Hungarian Ministry of Culture and Education; construction work was performed by the Szabolcs-Szatmar County State Construction Enterprise.

The institute was dedicated yesterday by Hungarian Minister of Culture Ferenc Glatz, and by Ukrainian Minister of Higher Education V. Parhomenko. Soviet ambassador to Budapest Boris Stukalin took part in the ceremonies.

The establishment was handed over to Petro Lizanec, professor and Ungvar university department head, and director of the institute. He expressed his appreciation to the Hungarian Republic for the many kinds of support the institute received. In addition to support provided by the ministry, Videoton donated a computer and a television set, the Soros Foundation provided a photocopying machine, Hungarian scientific organs organized a specialized book exhibit and then left the books with the institute, the Szechenyi Library provided a document collection as a gift, and various organizations, among them the Hungarian Democratic Forum [MDF] Szabolcs-Szatmar-Bereg County organization and the Hungarian Socialist Party [MSZP], provided technical means.

At the beginning of his dedication speech Glatz spoke about the ongoing epochal changes in the two countries. Amid the ongoing processes both countries fear that the entire endeavor will end up in chaos, he said. Nevertheless the minister stated that he was convinced that even the most disorganized democracy is better than the most



firmly organized dictatorship. It is the Soviet Union that provides an example of global proportion relative to progress, the country which for many long decades told its citizens that it was spearheading progress. These days, at last, the Soviet Union is appropriately underscoring this fact. The establishment of a Hungarology Center which deals with Finno-Ugric studies, the researching of dialects, ethnography, and many other matters, is but a new example of the fact that noble ideas are at last turning into actions.

Thereafter Glatz, in his capacity as a historian, stressed the point that the people of the multinational Lower Carpathian region never experienced adversarial situations prior to the evolution of the 19th and 20th Century nation-states, and until oppressive state organs were established. To this date we are carrying the burden that resulted from the earlier destruction of the world that evolved in the framework of the natural coexistence of Hungarians, Ukrainians, Slovaks, Jews, Germans, and others. Only a few tasks could represent a greater honor to today's intelligentsia than to provide leadership to democratization, while dismantling management by the apparatus which shows the strongest resistance to change. In addressing young people convened for the occasion, Glatz announced that for today's students of the Hungarian nationality it will come naturally to continue their studies at the universities of Budapest if they so desire, just as the young members of nationalities residing in Hungary may behold cultural values after they have completed their higher education in their homeland.

In the afternoon, the delegation headed by Glatz held further discussions with the Soviet delegation concerning further opportunities for cooperation. The visit was concluded with the minister's presentation concerning the minority policy of the Hungarian Republic.

#### **Investigation of 1949 Mindszenty Case Ordered**

*25000544A Budapest NEPSZABADSAG in Hungarian  
11 Nov 89 p 11*

[Text] The Office of the Supreme State Prosecutor has reexamined the voluminous docket of the criminal case handled by the special council of the Budapest People's Court in 1949 against Jozsef Mindszenty and his associates. At the time, the proceedings were held on grounds of the defendant's leading role in organizing the overthrow of the democratic order of the state and the republic, as well as other criminal acts. It was determined that in the course of the proceedings the authorities violated laws, and that these actions extended to the merits of the case. It may be assumed that persons questioned during the course of the criminal proceedings made their statements as a result of force applied against them. Doubt also surrounds the authenticity of the record prepared in the proceedings, and the material evidence introduced. A significant part of the material evidence used in the trial, which served as the basis for judgment, cannot be located, nor can the documents. To clarify all this, to supplement the missing items in this case, and to resolve existing contradictions, the Office of the Supreme State Prosecutor ordered an investigation for a new trial. The office will conduct the investigations itself. Results of the investigation will be made public.

## HUNGARY

### Ex-Minister Czinege Testifies Before Defense Oversight Committee

25000553B Budapest NEPSZABADSAG in Hungarian  
12 Dec 89 p 4

[MTI report: "Fairy Land and Potemkin Buildings"; last paragraph is NEPSZABADSAG comment]

[Text] Lajos Czinege, retired deputy prime minister and former defense minister, appeared before the National Assembly defense oversight committee on Monday, at the second session of the committee.

It is well-known that at its 18 October session, following remarks made by Janos Marton, the prime minister asked that a parliamentary committee be appointed to examine the truth of matters described in retired engineering colonel Dr Imre Bokor's book "Petty Monarchs in Uniform." Thereafter Dr Ferenc Kiraly raised questions about the book and about the author's retirement.

The investigative committee chaired by Dr Erno Raffay questioned Lajos Czinege for two and a half hours concerning his career, professional training, and private life, and in regard to matters pertaining to him, as described in the book.

Czinege stated that he was shocked to read the book, primarily because it did not mention the fact that for several decades hard work was going on in the Army. He regarded it as a moral and political issue, and a matter of honor for him to renounce his rank, and thereby to help calm the mood in the Army.

The matter of Kaszopuszta was of vivid interest to the representatives. In this relation the former minister explained that several top secret military objects had to be concealed from the outside world. For this reason, whenever such an object was built, they also built a similar one. The activities in the latter were "magnified" so as to distract the attention of "interested" persons. He mentioned a case when rumors could be heard about one of the important objects in a nearby settlement, questioning what kind of plant it could be where no one entered in the morning, and no one left at night. At that time they dressed a few soldiers in greasy overalls with paint spots. These soldiers entered the establishment each morning, and spent the day mostly playing cards.

In regard to the "fairy land" established in the Soviet Union, Czinege said that he felt that in some way he had to return all the help they had received from the Soviet Army. Thus they planted trees on a hectare of previously barren land. Incidentally, at that place Hungarian soldiers also conducted exercises.

Czinege also provided lengthy reasoning to support his changes of residence: Only their first apartment suited their taste; thereafter the changes always represented a compromise. Regarding his Leanyfalu vacation resort Czinege said that about one-third of that home was built

by him, with the help of his family. Responding to a question, the retired deputy prime minister said that he was also curious about the fate of the \$20 billion which constitutes Hungary's present indebtedness abroad. He said that among all the European armies the Hungarian Army was the least costly one. He assured the committee that the Army did not receive any amount from these loans.

In regard to the use of state funds for private purposes, Czinege said that entertainment provided by the Ministry of Defense was at no "higher level" than in any other ministry. In regard to personal matters he said that he had all the bills related to his vacation home in Leanyfalu for several years back. He explained that the special hunting vehicles were made so that inexperienced hunters would not cause accidents.

At the end of the hearing Raffay requested that Czinege continue to make himself available to the investigative committee, if his appearance became necessary.

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Yesterday's MAI NAP reported that the committee hearing involving Czinege would be closed, and that it would depend upon the minister's concurrence whether the event would be publicized. Well, as it can be seen from the above MTI report as well as from last night's television broadcast, Czinege opted for a public hearing. At this point it would be good to know by what criteria the participating news media was selected. Despite numerous inquiries, our editorial offices were not notified of this unexpected opportunity....

### Smaller Number of Enlisted Men To Be Called for Active Duty

25000553A Budapest NEPSZAVA in Hungarian  
9 Dec 89 p 16

[Unattributed article: "10,000 Fewer Soldiers To Be Called Up in February"]

[Text] In conjunction with the military reform announced the other day, 10,000 fewer soldiers will be called up for active duty next February, according to Colonel Gyorgy Keleti, spokesman for the Ministry of Defense, at Friday's press conference. He added that, due to the reduced number, they will not be able to keep their earlier promise that advance notices would be mailed 100 days prior to the call-up day, nevertheless the advance notices will be dispatched by mid-January. Recruits will have to report on 26 and 27 February; the length of service will most likely be 18 months, because the 12 months of active duty service will be introduced beginning in 1991. The National Assembly is expected to change the defense law next year, and thus it is possible that in 1990 not all soldiers will serve for an 18-month period.

Keleti also said that several young persons leaving the service indicated that their earlier workplaces had ceased

to exist, or that existing workplaces did not want to re-employ them. It is the position of the Ministry of Defense that enlisted men cannot be disadvantaged in any way, and that the ministry, jointly with the State Wage and Labor Affairs Office, intends to formulate appropriate legal provisions. Regarding year-end holidays Keleti said that different from earlier practice, half of the enlisted men will be able to leave their barracks for the holidays. In this way every enlisted man will have an opportunity to spend at least one of the holidays at home. It is yet another year-end initiative that soldiers will receive a reward equalling one month's pay, with a minimum amount of 660 forints.

It was announced at the briefing that a total of 637 young persons had asked to perform alternative duty. Thus far 553 applications had been reviewed, and 118 of those

were rejected. A majority of the applicants did not argue on the basis of their conscience, but presented social reasons instead. Legally there is no way to authorize alternative duty on such grounds, the spokesman said in the context of the rejections.

Keleti also stated that in conjunction with the pivotal laws passed by Parliament at its October session, the Defense Minister had ordered that soldiers may not organize political organizations, or social organizations for other than political causes at their place of duty, and that they must not propagate the views or positions of such organizations either verbally or in writing.

Outside their place of duty soldiers may participate at functions organized by parties and social organizations, but only in civilian clothing.

## GERMAN DEMOCRATIC REPUBLIC

### Lignite, Coke Processing Detailed; Ecological Concerns Cited

90EG0075A East Berlin PRESSE-INFORMATIONEN  
(supplement) in German 9 Nov 89 pp 1-2

[Unattributed article: "Lignite—Most Important Energy Supplier and Valuable Raw Material"]

[Text] Approximately 70 percent of the primary energy in our country is generated using lignite. Currently, miners produce 300-310 million tons of unprocessed lignite per annum from the 38 strip mines in our republic. Two-thirds of this comes from the 17 strip mines of the nationally-owned lignite collective in Senftenberg which encompasses the territorial district of Cottbus and Dresden. Twenty-one strip mines of the nationally owned Bitterfeld lignite collective are located in the area of Halle and Leipzig.

All together, more than 100,000 miners, engineers, and scientists in both collectives provide a dependable daily supply of lignite and its refined products. Sixty percent of the coal goes to heavy duty power stations and branch industry-owned power stations for conversion to energy and heat. Thus, 83 percent of the electrical energy requirement of the country is supplied by lignite. The collectives refine an additional 30 percent in briquet factories. Forty-nine million tons of briquets came from the 49 briquet factories of the nationally owned Bitterfeld and Senftenberg lignite collectives as well as from the nationally owned "Fritz Selbmann" gas collective factory in "Black Pump" in the past year. Strip mines deliver 10 percent of the unprocessed lignite directly to the chemical industry, local small factories and households.

### Utilization of Science and Technology

In 1988, 1.3 billion cubic meters of capping had to be moved. This means removing 4.3 cubic meters of soil mass for each exposed ton of coal. Due to the necessary removal of deeper lying seam expanses, this unfavorable ratio will deteriorate to an expected 1:6 by the year 2000. That is why it is of great importance to quickly apply knowledge from science and technology in a practical effective manner. The 60-meter capping conveyor bridge in Reichwalde is an example of the path being pursued. Placed in service in July, 1988, the system was jointly created by scientists, engineers, and workers of the VEB [state enterprise] TAKRAF heavy industrial equipment factory collective in Leipzig and of the Cottbus Automated Systems Construction. For the first time, a capping conveyor bridge can be flexibly controlled with the assistance of the Audatec 5000 automating system. On board computers determine—among other things—the adjustment angle for optimal operation of the bridge and the most favorable place for dumping the capping. To date only a 10-percent efficiency increase could be achieved.

Belt operation has shown itself to be a modern and productive conveyance method. It enables high work productivity in deposits that are geologically distinctly unsettled, i.e., in irregular seam flows. High performance rotary bucket excavators capable of moving up to 14,000 cubic meters of capping per hour are linked to these belt systems. In this manner, about 30 percent of the capping reaches the disposal site from the strip mines, and 48 percent of the coal reaches consumers via other means of transportation.

At present, miners are in the process of converting mining operations of the Jaenschwalde major strip mine to belt conveyance. As a result, an efficiency increase of approximately 15 percent in unprocessed coal mining will be achieved, 60 employees will be removed from processing operations and the specific cost of mining per ton will be reduced by M 1.60. The ratio of overall underground train hauling with regard to capping movement was reduced from 70 percent in 1965 to 20 percent in 1988 due to increased utilization of this productive technology; the ratio for conveyance of coal was reduced from 100 percent to 52 percent in the same period.

Special attention is given to the rationalization of auxiliary and secondary processes. Completely exchanging fabrication groups has proven itself with regard to maintaining and/or repairing equipment. For this reason, this path is to be increasingly pursued. Another concern is to conduct more work in specialized service facilities utilizing engineering methods. For example, the Graefenhainichen nationally owned Central Machine Shop has concentrated—among other things—on refurbishing unibody chassis for heavy duty mining devices.

### Subject to Extreme Weather Conditions

Energy requirements naturally increase in the cold season. However, weather also hinders coal mining. That is why miners direct all their efforts to adjusting to these conditions in summer and fall. Sufficiently exposed coal in the strip mines, a high availability of apparatus and systems, auxiliary devices and purification technology, working order of the coal cart heaters, exhaust devices and illumination equipment as well as full deposits near the large power stations as winter reserves are—among others—part of this. Recent inspections have shown that the technology—with the exception of repair work on individual devices—is basically ready for the winter. Guaranteeing the constant movement of coal in rough periods of frost is a primary problem. The miners are locally supported by working people from other branches of the national economy under extreme weather conditions. They are then deployed around the clock to prevent the track switches from freezing up and the coals from sticking to the belts and coal carts and/or to rectify any disturbances that occur. The extent of inherent work becomes apparent when one knows that mines have 4,000 km of stationary and movable track as well as 6,800 switches and approximately 270 km of belt equipment.

### The Associated Raw Materials of Coal

Numerous associated raw materials valuable to the national economy are contained in 1.3 billion cubic meters of capping per annum. In 1988, 2.2 million tons of gravel, 500,000 tons of clay, 70,000 tons of foundry sand, 50,000 tons of kaolin and unprocessed amber—among others—were mined. What associated raw materials are present is already analyzed while the lignite deposits are being examined. At present, there are 85 deposits of associated raw materials of significance to the national economy in mines currently used and in future mines.

Mining these raw materials is often complicated. The deposits are often relatively small and unequally distributed in the upper mountains so that excavators and conveyor bridges are partially unable to operate at top efficiency. Special technologies such as mobile technology or traction production must often be utilized.

Water is one of the most important associated raw materials of lignite. It is generally necessary for the natural section and safe working in the strip mines to reduce the groundwater table and continuously divert the influx of water. For this purpose, approximately 11,000 filter wells have been established, 35 percent of which are monitored by microelectronic regulators and are therefore optimally controlled. A total of 1.8 billion cubic meters of water was extracted in 1988. Some 50 percent of this flows into households and factories of our country as drinking or general purpose water. For example, the drinking water supply in the Halle and Leipzig population centers could be stabilized thanks to strip mining water.

### Reclamation—A Common Task

Establishing strip mines and mining lignite go hand in hand with profound changes. Water levels, vegetation, and the animal world are affected. Towns must be vacated, streets, industrial complexes, and the course of rivers must be relocated. Our State guarantees that long-term preparation will be made and that inherent problems will be fundamentally discussed. This applies equally to the relocation of domiciles and social facilities as well as to national economic installations. Concurrently, working out a reclamation concept for mining areas was legally mandated. It requires the approval of local councils. Because of this close cooperation lignite producers and end users can already influence the configuration of the surfaces to be returned during mining production.

The lignite industry in the GDR has claimed approximately 65,600 hectares of land surface for strip mining since 1965. Some 51,000 hectares have been reclaimed in the same time period. Of this amount, 15,800 hectares are being used agriculturally and 23,000 hectares are being used for forestry. In addition, some former pits, such as Lake Senftenberg and Lake Knappen have become nearby recreational areas. Any still existing pits

have been utilized—among other things—as water storage reservoirs or accumulation sites.

Working class people of these branches work in close cooperation with scientists and experts from institutes and collectives to reclaim former strip mining land for which lignite collectives are responsible.

### Valuable Refinement Products

Lignite is refined to briquets, coke, household gas, and carbochemical liquidity products in order to attain high grade energy sources and to provide the chemical industry with raw materials. In this manner, the water content of unprocessed coal—for example—can be reduced from 50-60 percent to 20 percent through briquet processing, thus increasing the calorie value 2 and ½ times. Of the 49 million tons of briquets produced annually, 16 million tons are used for generating industrial and local heat and 15 million tons are used in households. An additional 15 million tons undergo further processing and are used to produce gas, for example.

Refining unprocessed lignite requires large amounts of steam heat and electrical energy; approximately 35 million tons of unprocessed lignite are utilized alone in industrial power plants for this purpose annually. The principle of linking power and heat has proven itself: steam powers turbines and generators for producing energy. This energy is required for the briquet presses and a portion of it is diverted into the public network. At the same time, the steam dries the briquets and/or is utilized for remote heat sources in residential areas.

The collectives of the lignite industry produced a total of 5.5 million tons of lignite coke in 1988. The briquets are processed into low and/or high temperature lignite coke using different procedures as determined by the ash, sulphur, and/or tar content of the unprocessed coal. The procedure for producing high temperature coke permits the manufacture of coke based on our local lignite that can be used for metallurgical purposes, in the construction materials industry and in the chemical industry in part for imported hard coal coke. Briquets of the finest grain size and maximum pressure resistance are required for this. The unprocessed coal for this purpose is located in the strip mines of such Senftenberg mines as Klettwitz, Welzow-Sued, Scheibe, and Nochten.

An additional refinement product of lignite is household gas. Three billion cubic meters are produced annually in this manner by the nationally owned Fritz Selbmann "Black Pump" gas factory collective. This is equivalent to 40 percent of the total gas production.

It is pointed out that mining wax—very rare on the world market because of its diverse range of applications—is very popular. It is processed from lignite rich in bituminous resin and wax from the strip mine in Amsdorf.



### Modernize and Protect the Environment

Energy production and lignite processing are coupled with environmental stress under the current conditions. Reducing this stress requires developing and applying more environmentally compatible technologies. Of course, rational energy consumption is an important concurrent contribution to environmental protection. Between 10 and 25 kg of sulphur dioxide are emitted into the atmosphere by combusting 1 ton of unprocessed lignite. In 1987, that amounted to 4.99 million tons in the whole GDR. This amount has not increased since 1970. To date, 25 flue gas sulphur removal devices are in operation in the GDR. Depending on the design, between 40 and 95 percent of this gas is removed. Additional installations are planned.

Production facilities which are 50 or more years old exist side by side with modern equipment in the briquet factories and low temperature carbonization facilities in our country. Steps are being taken to comprehensively reconstruct and modernize in order to increase job safety and production safety and to improve the environmental and working conditions of the working class.

The first steam fluidized bed dryer—a technology that does not emit the steam-air-coal dust mixture incidental to the coal drying process into the atmosphere—is currently in trial operation in the Borna Briquet Factory. The water steam condenses and the coal dust separates. In addition to other advantages of this technology, the generated heat benefits nearby residences and industrial power plants.

Another example, a large scale technical plant for utilizing so-called water vapor heat was put in service this year in the Sonne Briquet Factory. The secondary energy recaptured from heat exchangers and a corresponding supply system now heat newly constructed residences and local small factories in Grossraechen. Six large dryers of the briquet factory are linked to this set up and provide heat. Thus, the heating equivalent of 55,000 tons of lignite can be saved annually. A newly developed device in the same factory purifies the industrial effluent containing coal dust with the assistance of a flocculation formula. Up to 27,000 tons of coal dust are reconstituted in this way and reutilized in briquet production. Thus, first steps toward factories with low waste levels are being taken.

Special efforts by all industrial plants to reduce environmental stress in the Halle-Leipzig population centers are urgently necessary. In this context, it is especially important to drastically reduce coal dust emissions, airborne slag, sulphur dioxide and sulphur monoxide. In the low temperature carbonization plant in Deuben, for example, a complex reconstruction program for all six low temperature carbonization ovens is being realized with the goal of noticeably reducing pollutant emissions.

### Guaranteeing Coal Hauling

About one-third of all railway freight movement involves coal and energy. Organizing this in a rational and undisrupted fashion requires close cooperation between both ministries as well as between the responsible managers and the local collectives. It is especially important to guarantee continuous loading and unloading of the available cargo hold within the established time limits. At the same time, full utilization of the freight trains is also of great importance. A good level could be achieved with an average of 27.46 tons per double axle. In addition, 83.6 percent of coal already reaches the consumers in aggregate trains.

### Factory Manager Admits Supply Problems, Proposes Solution

90EG00764 Erfurt DAS VOLK in German  
4 Nov 89 p 3

[Interview with Dr Herbert Kroker, manager of Weimar Works, by DAS VOLK correspondent Jochen Thiele: "Plea For Effective Management"; date and place of interview not given; boxed items preceding text contain biographical data and Dr Kroker's suggestions for economic revival]

[Text]

#### [Box p 3]

We are talking to 60-year-old Prof Dr of Economics Herbert Kroker; trained locksmith; manager of the Weimar Works since 1986; previously general manager for 12 years; active in party and trade union affairs for 15 years.

#### [Box p 3]

My suggestions for revival:

- Not growth rates in percentages but market-oriented utility values should be the criterion
- Cease excessive demands for numbers and reports
- Realistic plans should be balanced plans
- One mark invested should yield more than one mark of production

[DAS VOLK] Yesterday workers in your plant raised some critical questions in DAS VOLK. Comrades from several branches raised the issues of inadequate working conditions and delays in the use of modern technology. How do you, the manager, respond?

[Kroker] Quite objectively. These are productivity questions to which I will respond, but not in the manner of "yesterday it was in the paper, today I already have a solution." Especially not as they deal with problems which have concerned us for a long time, which I have also discussed with these collectives and the solutions of which do not depend on the plant alone.



[DAS VOLK] The workers' position does include the unequivocal demand for changes at high levels. I need only think of the mentioned imbalances in our national economy.

[Kroker] The government is responsible for changes in the government, the plant for changes in the plant. Everybody has to address his own responsibilities. I cannot envisage revival in any other way. Our economy must finally be able to increase productivity. While we have talked and written a great deal about this problem in the past, we have acted in a counterproductive manner again and again. Many enterprises, because of imbalances between manufacturers of end products and suppliers, were placed in a position in which they had no choice but to act in a counterproductive manner. The workers' criticism is justified.

We need only look at the pesky problem of spare parts. Even though we are aware of the problems in agriculture and do everything in our power to meet our obligations, the current year-end status at our plant indicates that spare-part items remain outstanding because of bottlenecks in both capacity and materials. For instance: 60 tons of castings have simply not been available so far.

[DAS VOLK] And how can this dilemma, which has been an annoyance in our daily lives for years, be solved by economic reforms?

[Kroker] Some people suggest simply to reduce the quantity of end products for the sake of spare parts. This approach, in my opinion, is acceptable only in exceptional cases but not as a permanent solution since it would reduce our national income which—in view of our international backwardness and our now-voiced expectations—is just what needs to be increased more rapidly.

What concerns me, is the essential requirement to make consumer needs the decisive planning factor for our entire national economy. This means that every manufacturer should first of all be judged by utility values and number of pieces produced for the national economy that satisfy real market conditions—and not by growth rates measured in percentages. Such growth rates may have been dearly paid for by increased costs and higher prices.

[DAS VOLK] People notice this in every day life—a fact also commented on by comrades in yesterday's discussion—as a contradiction between dazzling growth rates and gaps on store shelves.

[Kroker] That's how it is. We must put a stop to it. In our factory we not only talk about more and better utility values, but we also produce them. Every year we supply the national economy with an additional 250-300 agricultural machines, high-demand movable cranes, potato harvesters and barn machines. By the way, not Weimar workers but classical thinkers invented this utility value concept. But now we must all act accordingly—corresponding to today's requirements.

[DAS VOLK] And the government—what concrete steps does it have to take to help the plants?

[Kroker] The central planning and control levels must start doing their real job: to work not only for the moment, not to pursue lists of shortages but to set the course for the future; to set the pace; to make necessary and timely decisions concerning the structure and results of our national economy. There would be time for this if excessive demands on industry to provide all sorts of numbers and statistics were dropped.

We have to get away from formalistic accounting about meeting planning goals for given periods of time, for every day or decade and also from the bureaucratic assessment of scientific and technological progress or the use of robots. Factory operations do not proceed according to prescribed uniform time limits. If we want more flexible responses to market conditions and consumer needs, we must also include them among the criteria for plan-performance evaluations. For time segments cannot be sold but only manufactured consumer goods.

[DAS VOLK] But realistic accounting of plan-performance presumes, above all, realistic goals.

[Kroker] I agree. But one has to clarify from the beginning what a realistic plan is. Nowadays, I hear in many a discussion that this would have to be a changeable plan or at least a plan with lowered objectives. But that would hardly be in our interest. If we reduced the plan's targets, we would also have to lower the many demands expressed in the course of discussions. How would we then come to grips with requirements arising out of future travel opportunities and out of the essential improved availability of goods?

A realistic plan for me is still a plan which corresponds from year to year to the internal potential of most factories to provide more and better products. For me that is a plan which forces one to extend oneself. But also, of course, a balanced plan. It is achievable only if it is prepared in detail and if its goals correspond to a factory's capacity as objectively calculated on the basis of available machine-time and labor. It cannot be decided subjectively by someone high up in some economic organization but only by the person most knowledgeable about the subject. Who but the plant manager should organize scientific and technical performance and the worker's initiative? My own workers simply expect this of me.

[DAS VOLK] But limits have been set here in more than a few cases—because of missing or inadequate investment possibilities, for instance. Would it not be necessary in the future proportionally to distribute the required resources?

[Kroker] Certainly, here too there is much that needs to be changed. Our economy's accumulation potential must definitely be increased. Every enterprise over longer periods of time needs investment resources for which

financial backing is secure. This relates to new technologies, to working conditions, and to the living standard. In recent years, we have seen much improvement in this area but not enough by far. Resources and funds are often inadequate. But workers are impatient for faster progress in this area.

Manufacturers, who are particularly important to our structural growth, must obviously receive larger investments. As seen from the perspective of our plant—and the machine construction industry as a whole—greater investments are, for instance, needed by the standardized parts and roller bearing sectors as well as by the hydraulic and casting sectors.

[DAS VOLK] But where should it come from?

[Kroker] To begin with, a redistribution of funds will be unavoidable. Secondly, in the use of such funds we need to consider an entirely different relationship between costs and benefits. In economics it is not important what we want but what the situation calls for. And that is: if I want to receive an investment of 1 mark, I must see to it that the product will be worth more than 1 mark. I worry, however, when I look at statistics that show how many billions the economy invests in industry every year and compare that to the resulting increase in production.

[DAS VOLK] Your plant has proven that this equation can also be different, more favorable.

[Kroker] The Weimar Works, as far as I am concerned, is still not a model plant. But we do guarantee a return of M 1.50-1.70 for every mark invested in a given year. That is how it should be. We have to receive more than we put in. No capitalist invests without a profit. Otherwise he loses the competitive battle.

I advocate such economic arrangements for us which, on the one hand, increase a plant's incentive to function efficiently and which, on the other hand, can be applied in such a way that circumstances permit no deviations. By the way, I am not just saying this today. I have also said it at a time when civil courage was not yet highly regarded.

The more logically the new economic concept is written, the better it will be. Talking to workers, I notice every day that they—and the opinions published yesterday also prove it—expect palpable changes which will improve their lives and advance our socialist society. Changes, which in every day life will "take hold" as quickly as possible and which the workers, themselves, also want to control.

### **Construction, Renovation of Single-Family Housing Detailed**

90EG0082A East Berlin ARCHITEKTUR DER DDR in German No 11, Nov 89 p 7

[Article by Bernhard Prinz, Ministry for Construction: "Single-Family Housing—Solid Component of the Housing Construction Program"]

[Text] Over 200,000 single-family homes have been built under the East German housing construction program since the Eighth SED [Socialist Unity Party of Germany] Party Conference. During the same time period, single homes and duplexes for about 700,000 families have been rehabilitated and modernized. Through this (program), over 800,000 citizens have created new living space primarily through their own efforts and 2 million people have improved the living comfort and physical condition of their own homes. Workers, commune farmers, families with large numbers of children and young married couples built over 75 percent of the single-family homes. Individual work, family and neighborhood assistance groups, and support from factories and housing construction work collectives are encouraged with generous financial and material state benefits. This is completely in line with SED social policies.

The percentage of single-family homes in new housing construction increased from 3.3 percent in 1971 to 11 percent in the 1986-90 5-year plan. In terms of social policy, these accomplishments impressively demonstrate that, as a core component of the housing construction program, the new construction and modernization of single-family homes represents a very effective form of housing construction towards the solution of the living quarters question as a social problem.

Given the fiscal possibilities and social policy goals regarding single-family housing, the establishment and use of state subsidy standards have proven themselves in defined planning, direction and materials requisitioning for single-family housing construction. (Prices) are graduated according to family size: they range from M 72,000 to 91,500 for conventional construction, and from M 90,000 to M 120,000 for prefabrication construction. Up to 70 percent of the expense of comparable new construction can be used for modernization.

Eight design groups under technical direction of the GDR Civil Engineering Academy developed 35 centrally-approved project types in the framework of these pricing standards. The selection includes 10 row homes, six duplexes, 12 single-family homes and seven prefabricated homes, as well as two projects for the specific needs of handicapped people. In addition, individual design solutions are developed for local conditions and compliance with locally-established building codes. The project offering provides a selection for local official organizations and municipal construction offices, to support planning concepts and construction plans. Local resources available for principal construction materials and the corresponding household size are also important criteria for project selection.

In 1987, new legal regulations came into effect concerning single-family housing construction. This was the second regulation covering new construction, modernization and rehabilitation of single-family homes as well as the implementation regulations for single-family housing. With these new regulations, the role of the state organizations, the guidelines for financial and material

support of the homebuilder as well as the rights and responsibilities of the construction advisor have been more clearly defined for a communal policy close to the people. The regulation (Law Book, Part I, No 7, 27 Mar 89 and Part I, No 21, 15 Sep 87) contains, among other things, the following regulations:

- The possibility of increased allocations approved by the chairman of the Kreis council for additional insulation, inner city construction filling odd parcels, and for the most severely handicapped people;
- Reimbursement of subsequent cost overruns incurred by citizens when individual work becomes necessary for land development preparation;
- From the VEB [state enterprise] Construction Supply and its contract partners, the availability of materials and equipment for the populace and single-family housing construction. These goods will come from their own supply budgets corresponding to the approved requisition roster and will be based on a supply contract;
- The standardization of prices for home construction at the levels of 1979, measured by factory performance and common prices for construction materials, equipment, and electrical installation;
- The formulation of financial benefits appropriate to the social situation of the single-family home builder, the degree of individual effort and company support. The goal here is to hold the level of mortgage payments for interest and principal down to rent levels for comparable new housing construction;
- The obligation to provide a construction advisor with qualifications, duties and responsibilities for provision of legal security and construction safety, as well as protection for health, work, and fire.

The social character of our socialist housing policy makes its mark above all in stable, low rents. In single-family housing construction, corresponding equivalent financial benefits are effective. For example, this applies to the provision of interest-free credits for at least 60 percent of the credit package, supplement settlements and tax credits, free land for construction, and financial assistance from the companies. In addition, acquired land for construction is provided, or the expense for it is reimbursed by the state. State funds are budgeted for maintaining stable low prices for single-family builders with respect to factories, deliveries, and services by paying the difference between those reduced prices and industry prices.

The total direct and indirect state subsidies for each new single-family home are running over M 50,000. In addition, during the entire mortgage period, interest reductions of about M 70,000 are added, which comes from the state budget.

Even if we have solved the housing issue as a social problem with the housing construction program in 1990, housing construction will be continued to insure good housing conditions. The emphasis on recreating the large

inventory of housing can be characterized by reemphasized maintenance, modernization, and the replacement of buildings unfit for further reconstruction. The advantages of single-family housing should be used more effectively for the social policies, aimed at the welfare of the people. Above all, this means that the advantageous erection of row homes and duplexes should be included in inner city construction in a planned fashion. This is particularly the case in small and medium cities. The use of land under cultivation is to be generally avoided and the expenses of construction and development must be considerably reduced. In addition, energy demands for residential heating are significantly reduced. Modernization and repair of single-family homes, especially with regards to equipping with interior toilets, baths, and showers as well as improvements in insulation and economical heating systems, becomes increasingly important, especially for single-family housing built before 1945.

There are currently about 35,000 single-family homes under construction. For another 25,000 homes, sites have been found and site preparations have begun. Loan agreements for modernization and improvement of about 80,000 homes are signed every year.

These numbers are proof of the significance of single-family housing over the long term. That also includes, however, the fact that not all applicants' wishes can be considered. The scope of single-family housing is limited, for example, by funding for construction material and equipment including requisitioning local supply resources. Considering territorial and local regulations over the number of single-family homes, maintaining and realizing the settlement structure, population and working force developments, existing housing inventory, and the expense for preparation of new single-family home developments are all limiting factors. This demands even more careful future inclusion of single-family housing construction in general development planning, plan direction, construction, and municipality development (zoning) concepts.

### **Central Planning, Automation Panacea Seen as Ineffective**

90EG0077A Dresden SAECHSISCHE ZEITUNG in German 8 Nov 89 p 3

[Article by Prof Dr Wolfgang Sieber, Zittau Technical College: "Economic Laws Can No Longer Be Evaded: Comments on the Causes of Defective Economic Development and on Necessary Reforms"]

[Text] There is much heated debating and fighting these days in all kinds of places. I just came back from such a discussion group and am eager to make some comments. I must add that in my capacity as enterprise and combine director as well as director general, I have managed large economic units for decades. Hence, I believe that I am qualified to pass some judgment. Because of the lack of time and space here, I will focus on the period after the

8th SED [Socialist Unity Party of Germany] party congress. At that time, Politburo member and the Central Committee secretary, Guenter Mittag, exerted extraordinarily strong influence on economic policy matters. As everybody knows, politics and economics are inseparably tied to each other, that means, that whoever has economic power also has a crucial influence on politics overall. I can only pick out a number of significant examples here.

The proclamation of the unity of our economic and social policy as well as that of a multitude of related taboos, was viewed as a spiral: more social policy, greater awareness, better performance and increased work productivity, more social policy—all of them acting, in a sense, as an automatism. But experience has taught us that developments have not been like that and that there is no such automatism.

There were always voices warning us. However, even up until 5 weeks ago, well-known social scientists maintained the opposite. I am asking myself how these people were able to do this salto mortale and today, all of a sudden, they know that things do not work that way?

The efficiency principle was increasingly undermined by the subsidy policies we practiced and social and work legislation that was not suited to our present time and conditions, producing mediocrity and lower expectations in many places and almost all aspects of social life. The results of these efforts are evident in our stores, but above all in foreign markets where long ago one East German mark stopped equaling one mark, and the downward trend continued. Our economic policy, which was concentrated in one hand, and the power this entailed were largely beyond party control and that made it possible for subjectivist, egotistical, even authoritarian traits to take effect in a large way. This, above everything else, has to stop.

More and more often, consultation and collective knowledge were ignored; dialogue and conflicting opinions turned into monologues. To those people who recommend today that large enterprises and combines be broken up because they are inefficient, one can only say that our inadequacies are not the fault of combines and enterprises, but are due to the way the economy has been managed, and the planning, accounting, and authoritarian leadership style we increasingly adopted. It is impossible to set up measurements for an entire national economy, a system of management, planning, and accounting that can plan hundreds of thousands of positions and details from the bottom up to the very top, to coordinate and balance them and, in addition, make them creative and operational.

It was a fatal error of our economic leaders to believe that it would be possible, with the help of our modern information processing technologies, to make the entire national economy with its many kinds of intertwined components so flexible and transparent so as to create in

a sense economic perfection. The result was vastly overblown management, bureaucracy, and administration. In many places, modern, increasingly available computer technology was not used to organize efficiency, but to automate the bureaucracy. A rigorous cutback of these excesses must therefore be undertaken, which also makes new room at the bottom for creativity, saving, and effective decisionmaking.

Life inevitably has caught up with our constant attempts to outsmart economic laws. Our current deficiencies are proof of that. However, we should not only talk of the need to heed economic laws, but must translate them into economic policies, that is, consistently and in all areas of our economy.

The liquidation some 20 years ago of our small industrial enterprises, in some kind of iconoclasm, was a disastrous error. Small and medium-sized plants, of diverse ownership forms, are also entitled to exist and they are necessary in this age of scientific-technological advances and worldwide concentration of productive forces. That industry must work exclusively on the basis of economic criteria, the market and demand for its goods; it must be flexible enough to react to fast changing requirements. Small and medium-sized industrial enterprises in a national economy must act like microorganisms in the soil, that is, they must have a stimulating effect.

I would say that small, medium-sized and large industrial firms and combines are justified and have substance—this is in accordance with the development of international productive forces. This also applies to central planning and accounting, although to a much lesser degree, at significantly lower costs, and hence higher creativity and flexibility. The cult of index figures and statistics, which is frequently unrealistic, has got to stop. Basically, the issue is that we must see to it—even at this late, but not too late stage—that the development of our productive forces—and man must remain at its center—is not faced with unchangeable boundaries in the existing superstructure.

At least during the past decade, our economic policies no longer paid attention to these conditions when they introduced a series of pragmatic taboos that were linked to specific persons. The results were increased losses in productivity, more regulations, red tape, and growing disinterest among large segments of the population.

Therefore, when we talk about mistakes which had a disastrous effect on the entire economy, we must ensure that, in line with the current discussion and establishment of democracy, such a concentration of power—hence a subjective, selfish leadership style—is made impossible.



## HUNGARY

**Government, Consumer Groups Clash Over Housing Reform****Government Proposals Analyzed**

25000542B Budapest FIGYELO in Hungarian  
9 Nov 89 pp 1, 4

[Article by Maria Demcsak: "Housing Management: In Ruins"]

[Text] Everyone grabs his wallet whenever discussion turns to housing management reform. There are almost as many apartments as there are families, yet housing conditions become increasingly intolerable. Broad strata of society are unable to pay apartment prices that shot sky high as a result of inflation, and huge indebtedness exists. During the past 3 years the state budget doubled its outlays for housing purposes up to an 80-billion-forint level, and it is unable to provide more. The financial fortification of housing management has collapsed.

Most of those who were able to acquire apartments enjoy state subsidies and receive part of the 80 billion forints. In the framework of the malfunctioning subsidy practice of housing management, a situation has come about in which larger amounts of state support are provided for those who live in high quality apartments, and thus the persons supported include some who do not need support. The state coffers have been drained, and there no longer are sufficient state gifts for a more forceful support of the young and those without apartments.

Contradictions may be resolved only by a housing management concept accepted by society as a whole.

Can this be accomplished and implemented in today's economic and political situation? Many feel that such efforts would be in vain. During the past years several people have tried to accomplish this several times, jointly and individually, based on reconciliations, societal debate, and in the crossfire of critique.

In various workshops they have been laboring on the development of an acceptable housing concept for 5 years, since it has been quite some time since the hours left for the obsolete housing system have been counted. The Communist Youth Association [KISZ] sounded its distress signal 2 years ago and laid on the table a proposal for the fundamental renewal of housing management. The economic and political leadership of those days did not dare to put its name to the much criticized material, which, nevertheless, has not been matched thus far by any other housing concept. Meanwhile, during 2 years of delay almost 100 billion forints were drained from the budget to subsidize apartment rent and interest payments. This took place as a result of an inefficient, adverse practice of housing finance.

Once again today the task of renewing the housing management system is on the agenda, this time with an

urgent label. The cause of the rush is none other than the reduction of budgetary deficits. This charge was leveled by a representative against a proposed housing management reform proposal advanced by the National Planning Office [OT], the Ministry of the Interior [BM], and the Ministry of Finance [PM] at a parliamentary committee meeting last fall. The expense side of the budget is weighed down heavily by the above-mentioned 80 billion forints. If the system remains unchanged, one may count on between 5 and 6 billion forints in added housing construction and subsidy payments.

These days, when our ability to receive more credits depends not to a small extent on our ability to reduce the budget deficit, when our creditors follow the judgment pronounced by the World Bank, getting the housing management system in order has suddenly assumed great urgency. This is why the PM, the OT, and the BM will present to Parliament a joint proposal, which has taken into consideration the views of all affected organizations, of experts, and of research institutes.

But could a concept based on the principle of social justice be approved by citizens who have apartments—and they are in the majority—which in the short term, as a temporary solution increases their burden, in favor of young people who do not have apartments, and other citizens, who are unable to acquire apartments due to their situation in society?

There should be no illusions. The proposal was circulated among parliamentary committees and in the Council of Ministers, and has been adjusted based on opinions expressed. But not even those who prepared the proposal were able to do miracles. In the framework of the planned housing reform they were unable either to bridle the economy which generates inflation, or to introduce wage reform. (Many believe that the main reason for the problems is that the cost of acquiring an apartment was not factored in as part of wages.)

They could find only one solution: to transfer the money found in the pockets of about two-thirds of the populace into the empty pockets of the remaining one-third. (Previously it was the populace who paid those 80 billion forints.) All this was to be accomplished in such a way that the housing related burden of the budget be tangibly reduced by next year, i.e. within a short period of time.

The short-term motivations of the proposal are obvious, nevertheless the framers of the proposal defined the fundamental principles of the housing system transformation in the long run. The goal is to develop a market-based housing system, along with a reduced, but not ceasing state role. The rigid system which manages apartments and financial subsidies at a low rate of efficiency must be exchanged for a more efficient system, one that is able to follow in a dynamic fashion the changes in family income, one that provides subsidies (in the form of rent subsidies and low interest loans) to those in need, and not to the well-to-do, those who live under favorable housing conditions.

According to these perceptions, the state would regard apartments as a special commodity which has a market value, in the acquisition of which the state would continue to play an active role in the future. The most important question, however, is this: How great a role would the state play?

Could the dream of every citizen come true, so that in the foreseeable future every citizen could acquire his first apartment, that his housing conditions could improve along with improvements in living conditions, that thrift would make sense, that the homeless could enforce their fundamental human right, and that an unfavorable turn in a person's income situation would evoke a reflex by which a larger apartment would be exchanged for a smaller one?

During the November session of Parliament, representatives will render decisions concerning two strategic alternatives, which agree in terms of fundamental principles, but which propose to utilize different means. Their job is far from enviable because, irrespective of which alternative they adopt, the burden associated with owning or renting an apartment will increase instantly for a broad stratum of society. (This is frightening even if we realize that apartment rental fees are unrealistically low.) Even those who developed the concept recognize that the time when real market conditions could decrease housing costs has passed.

The first alternative regards apartment ownership as the most general form in which housing can be acquired. Under this concept owners must be found as soon as possible even for the present state rental apartments. This can be accomplished in part by the tenant purchasing the apartment, but apartments could be transferred to the ownership of cooperatives, tenant communities, and autonomous governments. It is apparent that social welfare apartments would be owned by the latter, and the autonomous governments would specify the conditions for leasing such apartments, and would establish rental fees on the basis of cost reimbursement. All other apartment rentals and rental fees would be subject to freely agreed upon conditions between the owner and the tenant. In other words, the state could concentrate its means on supporting private housing construction.

The support of ownership acquisition in the first alternative is the same as it is in the present system (social policy benefit, central and local support, subsidies to make residential loan installment payments). With regard to the latter, one may expect change to the extent that the level of support would be determined not only on the basis of the number of children, but also by family income. For example, the state would cover that part of the installment payments which exceeds a certain percentage (20 percent) of the family income.

(But note: The 20 percent limit—the rate has not been decided—applies only to installment payments. The

tolerable ratio of the total cost of residential maintenance in comparison to family income has not been assessed yet.)

The second alternative to come before the representatives designates leasing, not ownership, as the chief method of acquiring housing. It follows from this approach that the state would play a greater role in subsidizing the use of apartments. The ownership of state rental apartments would have to be settled similar to the way it is provided for in the first alternative. But the essential difference is that this alternative would not encourage the sale of state rental apartments; as a matter of fact, it would discourage this. The conditions for acquiring rental apartments, as well as the rental fees, would also be determined by the marketplace under these conditions.

Under the second alternative the state would uniformly support the owner and the tenant, and only family income would be taken into consideration. Also in this instance the extent of need would be determined by the extent to which installment payments or rental fees exceed a certain percentage of family income.

Only the central form of subsidy would exist; all other forms would be discontinued.

At the same time, both alternatives presume a larger and better quality housing supply. But the concept lacks details concerning the economic background needed to satisfy this requirement, unless we regard references to the encouragement of entrepreneurship and the settlement of proprietary relations as forces that create a market, to mean the needed economic background.

In contrast, the financial measures most needed in the near future are described in far more definitive terms. They say that these measures are consistent with long-term goals. That is, starting up reform would take some time, and in the meantime some temporary measures are needed in order to alleviate the budget deficit. One of these proposed measures is likely to cause the greatest storm: Real estate management should have nothing to do with rental apartments. The Real Estate Management Enterprise [IKV] could be obligated to perform tasks outside of apartments only.

Meanwhile, the much criticized organization of real estate management firms could be modernized under peaceful conditions.

Incidentally, the housing management reform proposal does not include even a vague hint to the effect that the obsolete, backward, and wasteful IKV organization could perhaps be liquidated. The fact that the proposal counts on the long-term existence of IKV means that one would have to accept the undeniable basic assumption that today's low rental fees do not suffice even for the financing of work outside the apartments. For this reason the proposal calls for a general 50-percent increase in rental fees beginning on 1 January 1990. An



increase of this size would be required if comprehensive reform could be started only in 1991.

Accordingly, the IKV would remove its operations from inside the apartments, and for all this one would have to pay more, with tenants having to finance the IKV's continued wasteful management. Quite naturally, the increase in rental fees would not be uniform. Tenants residing in low quality apartments would pay hardly more rent than they did before, while tenants residing in high quality apartments would pay much higher amounts.

According to expert calculations, the later we decide to raise apartment rental fees the higher the increase must be. Meanwhile, they will alleviate purchase conditions for state rental apartments, preparing for the shift in ownership to tenant communities and cooperatives.

Once the housing market is functional after 1991, rental fees could even decrease, because rent levels will be the subject of agreements. Those who prepared the proposal felt that it would not be necessary to liquidate the IKV organization on the basis of a central decision, because councils, in their capacity as owners of rental apartments, would be forced to employ the most efficient and cheapest organization that provides the best service. Accordingly, maintaining the bad organization would not be in the interest of anyone, and it would fade away by itself. (This is true in the long term, under conditions of clear-cut and pure incentive conditions. But meanwhile almost 800,000 tenants in rental apartments will have to pay for the bad structure.)

In addition, the introduction of water and sewage fees is unavoidable. This would constitute a monthly charge of about 200 forints per apartment, over and above the rental fee.

Quite naturally, those who developed the proposal kept in mind people who must manage with pensions and income of less than 5,000 forints, and families with several children. These persons would receive support payments. The added expense of some would be assumed entirely by the state.

Plans call for next year's budget to provide for residential building maintenance at the same amount—4.7 billion forints—as it did this year.

For quite some time, experts have been pondering ways to get rid of the unpleasant heritage of interest rate subsidies provided to supplement low interest rate residential loans. These subsidies are choking the budget. In 1989 some 41 billion forints were paid out from state coffers for this purpose. And people who built their homes earlier received a larger share of these subsidies. (This is why some people pay 500 forints per month in installment payments, while others pay between 2,000 and 3,000 forints.)

How can this matter be resolved without changing the underlying agreements? One of the proposals calls for a

320-forint-per-month tax on loans bearing a 4-percent or lower interest rate, beginning on 1 January. This appears to be an excellent move; let's see what the representatives have to say about it. Even though it raises concern that the delayed decision will result in a situation where those supposed to pay this tax will begin to pay larger amounts of loan taxes, they expect to materialize from this "ransom" between 6 and 8 billion forints, and they are planning to implement it in the long term, adjusted to the inflation rate.

In the event that it is possible to begin housing reform earlier, such as during the first half of next year so that state owned rental apartments become the property of autonomous governments, councils will be able to establish the amount of rent to be paid, as well as the distribution of responsibilities between tenants and housing maintenance organizations.

The rental apartment sector would also receive its 4.7 billion forints of budget subsidies in this case. Thereafter the autonomous governments could decide what to do with the 800,000 rental apartments. To whom to sell them for how much, or if the apartments should be retained. In this case the level of rent payments would be determined by the market.

Having no alternative, tenants would have to trust that "professionalism" exists in autonomous governments, and that they will be able to manage all the rental apartments efficiently, resisting the simple reflex to raise rents, but trying instead to pressure the service organization to perform more productively. In the framework of the second version there would be no need for the general transitional measures, but the rental apartment sector would be reformed sooner.

Reduction of the budgetary support of low interest bearing loans could also be perceived by changing the terms of residential loans so that they bear market level interest rates, but in the first year the debtors would receive a 10-percent reduction in interest rates, which would increase annually by 2 percentage points. In other words, considering the current 20-percent interest rate, beneficiaries of low interest rates would pay approximately 10 percent interest next year. Thereafter each year they would pay 2 percentage points more in interest, until the interest rate reaches the prevailing market interest rate. As a result of this it is hoped that the budget will receive 11 billion forints more in revenues, however compensation of low income individuals would significantly reduce the hoped for advantage.

Quite naturally, this version could not be introduced without changing the agreements in force, therefore this solution is less persuasive than the loan tax. (One would also have to count on an outrage having the force of elements on the part of a substantial segment of society.)

At the cost of all these changes and huge sacrifices expected from the populace, the budgetary expenditures related to housing would be reduced only by 3 billion and 6 billion forints respectively in 1990 (Alternatives 1

and 2). Youth would receive a separate subsidy amounting to 3 billion forints. On the other hand, if the housing system remains unchanged, 1990 housing support payable from the budget would exceed 85 billion forints. Nevertheless, no one should believe that because of the small savings it would be possible to postpone housing reform.

The budgetary deficit has created a pressing situation in which, absent the approval of housing reform conceptions and transitional measures, all sources of support would have to be frozen next year. They may suspend the installment payment subsidies and discontinue social policy benefits.

What can we say? It makes no difference whether we like the program. Those who have apartments will experience misery in paying for the budgetary deficit. Those living in inferior apartments will pay less, others residing in good apartments will pay more. Each according to his talent.

#### **To What Extent Is the Construction Industry Responsible?**

According to calculations made by government economists responsible for the construction industry, city lot prices amount to between 25 and 30 percent of gross housing costs, whereas a few years ago this ratio stood at about 10 percent.

Detailed analyses for 1988 show that within the building construction trade, 5.3 percent of the total 12.5 percent unitary net housing cost increase may be attributed to changes in construction industry price levels, and 7.2 percent to technical and architectural requirements (heat conservation, restrictions on the number of permissible building floors, the construction of high pitched roofs, etc). About 70 percent of the 5.3 percent construction industry price level change may be attributed to the ripple effects of price increases of building industry materials used.

Accordingly, price increases constitute only a smaller part of the actual cost increases, (here again two factors exist: the consequences of materials of an industrial structure on the one hand, and other factors on the other), while the other, the larger part results from requirements for modernization.

#### **Owners Deprived of Their Rights?**

Not too long ago the management of the Economic Chamber received a proposal. It pertained to ways in which the rental apartment sector could be rendered functional.

On behalf of the section that prepared the proposal, IKV leader Ferenc Sikonya gave the failure to provide budgetary support to cover renewal costs, and the gradual increase in tenant rights as the reasons for a nonfunctional rental apartment system. A lease on an apartment represents quasi-property from the standpoint of tenants

and their descendants. In addition, on the basis of their individual rights, tenants are entitled to keep the value differential realized in the course of exchanging apartments, apartment renewals, and the addition of comfort features at state expense, and in case an apartment is surrendered, an amount representing ten times the apartment use fee. In addition, a tenant may sublet his apartment, and may use the apartment to gain income. These factors reduce the IKV's revenues. The expenditures incurred by a tenant are far less than the rent he pays in lieu of these rights.

The author of the proposal recommends several measures to be implemented immediately. Among other matters he recommends a new system for rent payments, to be governed by a law concerning rent payments. He recommends that a resident should be responsible for maintenance and replacement functions within the apartment in his capacity as the "owner of the apartment," and should pay for those. On the other hand, the prevailing management organization shall be responsible for the entire building and for the public utilities connected to the apartments. Meanwhile, the partial and timely renewal costs of the apartment building would be factored into the rent payments.

In addition, the author of the proposal believes that it would be necessary to deprive lessees of all their quasi-ownership rights (for example a lessee could not exchange a rented apartment for a condominium, and would not receive compensation if he surrendered a rented apartment), and that tenants should have obligations only with regard to tasks to be performed within the apartments. An apartment belongs to whoever resides in it.

Paragraph 90 of Chapter 10 of the Civil Code of Laws concerning the content and protection of ownership rights states that an owner is entitled to the right of possession and the protection of his possession. Paragraph 99 has this to say: An owner is entitled to use the matter he owns and to earn profits on the basis of such matter.... The owner's obligations are also prescribed by law, which the IKV would not abide by if it were to remove itself from the apartments.

The Civil Code of Laws would have to be amended before introducing the institution of lessees deprived of their rights. Incidentally, it amounts to a legal absurdity to recognize a lessee of an apartment as an owner as well as a tenant at the same time.

It would be useful to permit this situation only if a lessee would not act as an owner without rights, but would participate in the residential building maintenance organization as, let's say, a stockholder.

Incidentally, the establishment of a state trust institution in the rental apartment sector cannot be delayed either. Unfortunately, the introduction of such an institution is barred at this time by Paragraph 12 of the Land Law which states the following: Real estate owned by the state

may be managed by a state organ or a social organization. No other business organization may do so. Thus, for the time being, the IKV enjoys hegemony, unless we make urgent changes in the Land Law.

#### Budgeted Expenditures for Housing Purposes (in billions of forints)

Purpose	1989 (expected)	1990 (under an unchanged system)
<b>Central Budget</b>		
Institutional rental apartment construction (KII)	4.7	4
Support for private housing construction (social policy benefit)	10	9
Installment payment support	2	5
Support of preferred credits (housing fund expenditures)	43*	46.3
Support of interest payment on housing-related liquid asset credits	2	2
Support of council rental apartment maintenance	8.6	10.3
<b>Total</b>	<b>70.3*</b>	<b>76.9</b>
<b>Local Council Budgets</b>		
(Council rental apartment construction, grounds preparation, parcelling, local support)	10.2	8.7
<b>Grand total</b>	<b>80.5*</b>	<b>85.6</b>
Part of this covered by tax transfer at the source	-7.6	-8
<b>Actual budgetary expenditure</b>	<b>72.9**</b>	<b>77.6</b>
Variance as compared to 1989	—	+4.7

\* This amount is increased by 1988 interest support payments transferred to 1989 (11.0 billion forints).

\*\* This amount is increased by 1988 interest support payments transferred to 1989 (11.0 billion forints), and reduced by the value of bonds purchased by banks and by social security (21.0 billion forints).

#### Distribution of Fixed Interest Rate Personal Housing Loans as of 31 December 1988

	Billions of Forints	Percentage Total
Interest free	13.5	
1 percent interest	32.1	
2 percent interest	19.8	
3 percent interest	157.9	
3.5 percent interest	20.6	
4 percent interest	2.0	
<b>Total</b>	<b>236.4</b>	<b>89.7percent</b>
Between 6 and 15 percent interest	28.3	10.3percent
<b>Total</b>	<b>264.7</b>	<b>100percent</b>

#### Consumer Group Protests

25000542C Budapest NEPSZABADSAG in Hungarian  
21 Nov 89 p 5

[Article by "F. Gy. A."]

[Text] According to a statement made by Miklos Szabo, chairman of the Tenants' Association, at a press conference held by the Consumer Interest Protection Group [LET], the government's conduct is unacceptable. It concentrates on a single goal: to increase its revenues. Formed in September, the Group has 60,000 members and was established so that its member organizations could obtain more effective representation with regard to issues that have an unfavorable impact on the populace.

Considering the situation that has evolved and the agenda of the parliamentary session that begins today, LET struck hardest with regard to the government's apartment management concept. Szabo presented official data to prove that the government's arguments in support of raising rents has no solid foundations. For example, during the past 4 decades 31 percent of Budapest's 425,000 apartments have not required renewal because they were built "recently."

Of the apartments that were built at the beginning of the century, 107,000 were neglected, even though these apartments would have required substantial reconstruction. Accordingly, the government spent those oft-mentioned 106 billion forints only on the remainder, about half of the total number of apartments. It was proven that even at present, rent payments would cover the operation and maintenance of apartments, the press conference was told. It was also said that tenants should not be blamed for frequently decades-long delays in renewals, and that making up for the 20-, 40-, or 50-year backlog requires billions in added expense.

The government is recommending a between 50- and 100-percent rent increase. This kind of increase is already too high, but in reality the government wants to triple or quadruple the rents. This is because simultaneously with raising the rents, the IKV would not provide maintenance services inside the apartments, and this is equal to an approximately 80-percent rent increase. And what does the government want? It wants residents to pay water and sewage fees. Taken together, all this amounts to a between 200- and 300-percent expense increase to residents.

A National Assembly representative from Budapest invited to the LET press conference had this to say: The government is following the principle of divide and conquer, it shifts a significant part of the burden to tenants, "shuts up" apartment owners to whom it wants to present the "gift" of a loan tax.

The Group also protests the idea of tightening sales conditions for state-owned apartments. It is easy to make things more stringent, at a time when the more valuable apartments were squandered, according to a statement.

Accordingly, the state has proven already that it is incapable of preserving the real estate and assets in the form of buildings that are entrusted to it for handling. For this reason LET recommends to Parliament that it rescind Decree No 4 of 1952 having the force of law, and transfer all rented real estate into the undivided, common ownership of the respective residents! The Group has prepared a complete plan for repeal, and is requesting that the legislators debate the plan at the same time the government proposal is being discussed. They are requesting this because thus far in the course of developing the governmental approach the ministries having jurisdiction have not taken into consideration even a single proposal the Group has made.

### **MSZP Agricultural Policy Platform Announced**

25000540 Budapest NEPSZABADSAG in Hungarian  
29 Nov 89 p 8

[Unattributed article: "The Agricultural Policy of the Hungarian Socialist Party"]

[Text]

#### **I. Our Goals**

We want a high standard, balanced, secure food supply in Hungary. Hungarians have a right to their daily bread. A successful, productive food economy is a decisive factor in the stability of domestic politics, and is an indispensable condition for peaceful transition.

We want agricultural workers, and residents of villages and of small settlements to be fully empowered citizens of Hungary at last, so that they receive moral and financial recognition for the real value of their sacrifice and work.

We want to put to good use the natural features of our country that are worth a fortune, so that together with increased competitiveness the export surplus of our agriculture can become an engine of our recovery from crisis.

What does the MSZP want?

- Flourishing Hungarian villages,
- Freely chosen forms of ownership,
- Bread and prosperity for everyone.

#### **II. Situation Analysis**

Our agriculture has achieved internationally recognized accomplishments. We have caught up with a decades-old lag in the two most important branches: grain production and animal breeding. A new food industry has evolved. In Hungary there are abundant food supplies and an export surplus is a usual phenomenon in both relations.

The social and cultural uplift of the peasantry is of historical significance. In terms of its working conditions

and existential security, the peasantry has come close to the standards achieved in other branches of the people's economy.

At the same time, countless resources have dried up in the villages, thousands of endeavors and opportunities have come to a dead-end because they were founded on private initiative.

During the 1980's both the external and the internal conditions in agriculture have changed. Aimed at self sufficiency, developed capitalist countries support their food production with significant preferential measures, while socialist exports are restricted by offsetting problems. Still today, supplies are abundant in the domestic market; agricultural producers find themselves in a competitive situation. For this reason outstanding quality, efficient production, and reliability have become basic requirements.

During the 1950's, exclusive state ownership based on stalinist ideology was definitive in Hungary. This ideology rejected not only private property, but also common property. It thus left the land without owners, and changed the membership of cooperatives into hired laborers. Under the pretext of enforcing the great central will it discontinued autonomy. It developed the country in an autocratic manner. Some areas, mainly small settlements, were left without roads, water, telephone, mass transportation, and commercial service provisions. In these settlements the standards of education and health care are unacceptable.

As a result of all this we have an aging population, settlements are losing their population, and agricultural plants are losing their viability.

In planning its new agricultural policy the Hungarian Socialist Party [MSZP] pays considerable attention to the present situation—both the achievements and the hindering factors—and wants to accomplish change by

- Recognizing labor that creates worth,
- Increasing competitiveness,
- Ensuring the freedom of farming,
- Making real autonomy a reality, and
- With all these means the MSZP wants to elevate Hungarian food production to a high level.

#### **III. Immediate Tasks**

##### *1. The Land Belongs to the One Who Cultivates It*

The basic condition for productivity is a proprietary linkage, the interest in preserving property and making property appreciate. Ensuring the existence of this condition, i.e. the freedom to acquire and the right to dispose over property, requires a guarantee provided by the state. All this requires proprietary reform.

On the other hand, proprietary reform must not be tantamount to some kind of proclaimed, new land distribution. It must constitute a recognition of the fact that in our agricultural state, autonomous, cooperative, and



family farms based on several types of mixed and private forms of ownership coexist. The proportion of ownership forms must not be prescribed centrally, instead they should be determined by the societal value they produce.

Land ownership, the settlement of real property, is the foundation for agricultural renewal.

The Hungarian peasantry's original, deep-rooted love of the land, which in recent decades has been forced to the background, may truly manifest itself if the peasantry can regard land as his own, with the freedom to dispose over it. He can do so if he is able to cultivate the land with the care provided by the "good farmer," increasing the land's capacity to produce and to sustain, and protecting our natural environment by applying technologies that are gentle to the health and the environment. Under no circumstances could the issue of ownership rights be settled by using other systems, such as the right of use, the inheritable leasing relationship, or leases acquired at public auctions. In settling land ownership one should proceed by taking considered steps so as not to permit anything to disturb the continuity in production or to inflict damage upon provision of supplies to the public or upon other important national economic interests. The solution must be found on the grounds of historical reality, and by starting out from the present situation in such a manner that the new, efficient agriculture is not established by fully destroying the old structures, but by adding modern elements to that structure. This can be realized only on the basis of a program founded on a matured consensus, one that ensures gradual transition.

The private ownership right of arable land must enjoy full protection.

Members of cooperatives must decide freely, without central intervention with regard to arable land owned by members and to land commonly owned by the cooperative:

- Those who intend to continue to cultivate the land under common use should receive an appropriate allowance;
- Others who wish to relinquish their land, let them sell their land to the common or to someone else at a freely bargained price that evolves in the land market; [as published]
- Those who want to cultivate the land themselves, should receive a parcel of land from the common, whose value is equal to the land with which they joined [as published].

State farm and food industry plant workers' incentive to appreciate assets must be provided in the form of a workers' stock ownership system.

In the framework of proprietary reform, an opportunity must be sought to indemnify those who suffered a loss in the course of "land redemptions." This, however, cannot

be accompanied by a new land distribution: The land must be left in the ownership of those who cultivate it.

The general meeting of cooperatives shall have the authority to transfer arable land commonly owned by cooperatives to members based on the principle of common property personification. Sale of common lands shall be regulated by the general meeting. This type of transformation of ownership rights to arable land does not mean that common fields will be parceled up into small pieces of land. Accordingly we find that the assignment of land values, the establishment of a land market, and land owners are indispensable.

## 2. Cooperatives Belong to Their Members

The cooperative form of ownership is an existing management method to be recognized in the framework of proprietary reform, despite the fact that the cooperative movement manifests signs of crisis. The main reason for the latter should be sought primarily in economic reform that did not take place on a universal scale, in mistaken central direction, and in obsolete rules and regulations.

Precisely for this reason, the management of cooperatives also demands to be changed. The intellectual and financial capital that has accumulated in common farms must be put to good use in due regard to the time tested principles of the cooperative movement.

State regulatory endeavors must respect the fundamental principle according to which a cooperative is designed to serve the interests of the prosperity of its members.

The principle of centrally determined indivisible common property cannot be reconciled with cooperative values. It should be ensured that cooperatives can decide for themselves to what extent they wish to form indivisible, common property, and about ways of ensuring the members rights to dispose of existing common property. This could be accomplished by expanding the system of saleable cooperative property shares, of share certificates provided in proportion to the number of years worked and the achievements.

It must be made certain that members themselves determine the kind of activity they wish to pursue, and in what organizational framework they intend to pursue such activities. An efficient structure which adapts well to the given features is not reconcilable with unwarranted limitations imposed by the state.

After having paid taxes, the members are entitled to receive the return on common cooperative property, the fruit of their successful labor. No one should restrict the utilization of these funds.

On the other hand, cooperatives unable to stand fast under the evolving market conditions, and unable to provide sustenance for their members, must not be operated in an unchanged form. Such cooperatives must be permitted to choose other organizational forms, and be enabled to distribute their land and assets among their members.

In the framework of proprietary reform there is a need for a new, uniform cooperative law that guarantees the rights of cooperatives and of their members. Adherence to cooperative principles will free the movement from its shackles, and thus cooperatives will once again be able to fulfill their mission.

We cannot agree with the extent of collectivization that took place 30 years ago, and with the methods that were used in certain places. The only bigger mistake we could make would be to permit well functioning large agricultural plants to discontinue their operations.

Our food supplies will be secured even in the most difficult years if we entrust the fate of the land, of common property to those who own and use the land, to the members of cooperatives and to state farm workers.

### 3. Modern Pricing Policies

One of the key issues which attends the new agricultural policy and proprietary reform is the formulation of agricultural commodity prices. In Hungary, these prices evolve as a function of the prevailing power relationships, in the framework of a complicated system of bargaining. The prices of commodities exported to CEMA countries are established by way of a governmental determination which does not take into consideration investments made by producers. Protectionist discrimination prevails in capitalist markets; in these instances we are unable to compete with the subsidies provided by given countries, and thus the prices of our commodities are low.

Within Hungary food prices are determined on the basis of wages that are consciously maintained at low levels, an obsolete pension system, the lack of a social welfare safety net, and the income situation of food producers. The problem is not that prices are high; the wages are low. The dependence of food producers is increased by the fact that purveyors and commercial organizations enjoy a monopolistic situation and thus are free to determine the prices of goods, services, and information sold to agriculture; at the same time, however, these prices cannot be reflected in food prices.

The industrial/agricultural price gap presents a brutal threat to producers. The production of agricultural commodities, food supplies, and foreign exchange income will be secure only if this gap is closed.

A pricing policy which permits the broad enforcement of market effects and market value judgments is needed—a pricing policy which takes into account the peculiar characteristics of agriculture and prevents extreme price fluctuations.

Food prices must be determined in such a way that buyers pay for the difficult, risky labor of those who work in agriculture, which often requires great investments.

Food prices must be formulated on the basis of market value judgments which extend to the real value of land, and return provided by land.

### 4. A Tolerable Tax System and Reasonable Subsidies

The approach to taxation must be changed in order to permit agriculture to perform its tasks.

Excises must be determined on the basis of economic capacity: We must have a tax system which stimulates and provides predictable perspectives, and further, a tax system that is responsive to the peculiar characteristics of agriculture, including harvest fluctuations, delayed return, and great risk.

Farmers should be protected against unwarranted excises. For this reason it should be possible to levy taxes only on the basis of laws adopted by the National Assembly.

The system of subsidies must also be changed. Thus far it has been impossible to understand the subsidy system. It exerted an impeding, rather than an incentive effect.

Agriculture will continue to need state subsidies in the future. The reasons for this are as follows: Our commodities are competing in the international marketplace with the state subsidized food economies of others. In addition, the domestic market evolves in the course of a longer period of time, and differences between individual places of production are very large. In addition, investments which produce a slow return also require support.

A new kind of subsidy system must be developed, one that does not stimulate one-sidedly to achieve increased production, but also provides an incentive for more rational, more profitable management. The subsidizing of exports to capitalist countries will also be very important in the future. In the interest of increasing international competitiveness, state support should continue to enhance the adoption of state-of-the-art technologies and biotechnical processes.

The fact that both taxes and subsidies be levied and granted on a neutral basis to the various sectors is a very important requirement. Taxes and subsidies should convey neither advantages nor disadvantages on the basis of proprietary conditions and organizational forms. Discrimination between producers is unwarranted. It distorts economic processes.

### 5. Organic Relationships in the Vertical Integration

The fact that in spite of numerous proclamations to this effect, efficient cooperation did not develop in past decades between base material producer plants, the processing industry, and commercial organizations is one of the reasons why our food economy finds itself in a crisis.

The main reason for this lack of cooperation is that among the individual branches of the vertical integration no mutual ownership incentive evolved, thus many processing plants and commercial organizations were able to dictate conditions from a monopolistic position.

The fact that different central regulations were enforced in the food production, processing, and selling phases raised grave concern.

Our goal is to discontinue these impediments. In the future we must stimulate the various branches of the food economy to cooperate efficiently and in a mutually advantageous manner. This can be accomplished by enforcing mutual ownership interests, by discontinuing monopolistic entitlements, and by promulgating regulations concerning competition and other rules that are neutral with regard to sectors.

All this demands that through forceful governmental action we discontinue central prescriptive rules that impede cooperation, we increase the number of participants in the marketplace, we promulgate legal anti-monopoly legal provisions, and we formulate a mutual ownership interest.

#### 6. Flourishing Villages

A fundamental turnaround is also needed in the lives of villages. The settlement policies of the past decades created grave situations in our villages. The number of inhabitants is on the decline, the population is aging, the young emigrate because there are not enough workplaces, and education, health care, and commercial provisions are at low levels.

The village must be restored in its own right.

We want villages to regain their political and economic independence, for justice to prevail in the distribution of central funds, for equal opportunity to prevail, and for disadvantageous discrimination to be discontinued.

Every village should be given back its own public administration, education, intelligentsia, and culture.

The development of settlements should be determined by local autonomous governments which rest on independent economic foundations. Based on such autonomous governments, village inhabitants should become the real owners of settlements; as communities which independently govern their own lives they should take into their own hands the evolution of their fate.

All this cannot be accomplished only by way of agricultural policies, however. The transformation of the lives of Hungarian villages must be provided for in the framework of a streamlined, regional development policy.

#### 7. Agricultural Policy That Is Friendly to Entrepreneurship

Tomorrow's agricultural production may be boosted by persons and communities with initiative, who courageously engage in entrepreneurship. For this reason it is very important to provide them a sufficiently large sphere of movement as well as favorable conditions.

We must discontinue unwarranted restrictions. These people must have access to means needed for their ventures: to arable land, machinery, equipment, buildings, and, mainly, credit.

Each entrepreneur must be faced with equal conditions in terms of agricultural regulations, excises, and subsidies, independent of their proprietary and organizational relations. In the future, the results of production must reflect the return on property, the profits of the venture as well as the employee's income. The rate of these must not fall behind levels achieved in other fields, based on value judgments pronounced by the marketplace.

Unless this is accomplished, capital will be removed from the agricultural economy, and the labor force and entrepreneurs will escape from the field of agriculture. This would lead to a national tragedy.

#### 8. The Producer in the Marketplace

The agricultural branch produces food for about 15 million people. Year after year, it produces considerable foreign exchange income, in addition to providing domestic supplies. Nevertheless, it will be possible to stand fast in foreign market competition only if there are direct producer incentive and presence. The organizational monopoly of foreign trade enterprises must be discontinued.

Foreign trade contingents and quotas should be distributed by producers among themselves, on the basis of interest reconciliation conducted in the public.

The list of prohibited exports must be discontinued; producers must be able to export their products as individuals.

It must be ensured that producers freely dispose over a certain part of their foreign exchange income.

The economic conditions for domestic commerce in food endanger the balanced provision of food supplies. Commercial activities involving food must be treated as part of the vertical integration. Regulations which provide an incentive to workers engaged in commerce must be promulgated so that they can accomplish developments, increase sales, expand choice, and raise the standards of provisions.

#### 9. Farming on a Scientific Basis

Our agriculture will be able to adapt to market requirements only if it utilizes domestic and foreign scientific results. For this reason we support the development of scientific and technical research, and the broad utilization of technological and biotechnological achievements.

Farming resources increased by the means of the state for this purpose is warranted.

The development of production is determined by scientific results. These can be applied only by trained, competent professionals. For this reason we find it

indispensable to improve the conditions for research and development, and for specialized training, and to establish common incentives for education and practice.

#### 10. Internal Organization

Renewal of the institutional system that protects agricultural interests is greatly needed. This organization should evolve from the grass roots, and everyone should decide for himself which representative organization he wants to join as a member.

We find it necessary for an agricultural chamber to be established in order to bring agricultural public administration and specialized administration to the societal level, and in order to reconcile interests.

#### IV. Agricultural Reform and Comprehensive Socioeconomic Changes

The MSZP recognizes well that Hungary's future can be assured only if a change takes place in every aspect of society.

The future of the Hungarian peasantry, of those who work in the agricultural economy, occupies a central place among the goals of the MSZP. The party's agricultural policy is part of a large, comprehensive political, social, and economic reform concept intended to uplift the entire country. There is no Hungarian future without villages; there is no Hungarian village without ownership reform.

The MSZP's ten commandments were defined for the sake of blossoming Hungarian villages. They provide great opportunities for those who work in the food economy and for the agricultural intelligentsia. Their workings, their knowledge, are the guarantees for the uplift of the Hungarian farm, of the countryside.

23 November 1989

The Presidium of the Hungarian Socialist Party

#### Monetary Processes Indicate Deepening Crisis

25000537A Budapest FIGYELO in Hungarian  
16 Nov 89 p 7

[Article by Dr Ervin Fabri: "The MNB Reports: Tensions in Monetary Processes"]

[Text] Credit and monetary processes still do not show the relaxation of financial tensions we reported on in conjunction with the Hungarian National Bank's [MNB] report for the first half of the year. The financing of the state financial sphere—and within that the budget and large state investments—requires more than three-quarters of central bank resources that could be made available for borrowing, and therefore less than one-quarter of the central bank resources remain uncommitted to satisfying the credit needs of banks, and through the banks borrowing by enterprises. The rate in which 'standing in line' takes place is higher than ever. As a result of price increases the populace spends

increasing amounts of money on shopping, but buys fewer goods; a decline in the volume of consumer goods sold causes the accumulation of large inventories. All these phenomena necessitate continued restrictive credit policies in order to effectively protect against accelerated inflation and to preserve international solvency.

The third quarter monetary plan established the upper limit of central bank credits to be granted to banks, and the total amount of notes that can be rediscounted by banks at 100.7 billion forints for 30 September. The actual amount of these funds on that day showed 14.9 billion forints more than the projected amount, a 15-percent surplus. This surplus was a result of credits used and rediscounted notes submitted by three banks, while the remaining banks used less money than the projected amount.

The total amount of MNB loan funds—not including credits granted to the budget and to the State Development Institute [AFI]—amounted to 272.3 billion forints as of 30 September, an increase of 42.8 billion forints over the 1 January amount. Within this three-quarters of a year increment, the total amount spent on refinancing credits increased by 45.8 billion forints, and the total amount of notes held by the central bank decreased by 3 billion forints. In late September, however, these notes amounted to 25.6 billion forints, which is 60 percent more than the amount recorded on 30 June. This increase was due mostly to the rediscounting of agricultural notes designed to encourage procurement. Eighty-nine percent of the 42.8-billion-forint increase in central bank credits was caused by the 38.2-billion-forint increase in short-term lending, while medium-term credits granted increased by 5.2 billion forints, and long-term borrowing declined by 0.6 billion forints.

The total amount of funds deposited by the banks to the central bank (not counting deposits made by AFI and by savings cooperatives) was 71.3 billion forints as of 30 September. This amount is 26.9 billion forints higher than the similar amount of deposits held on 1 January. Of this amount 40.5 billion forints represented the banks' own deposits, and 30.8 billion forints were foreign trade targeted deposits made by enterprises. In the three-quarters of a year period, the former increased by 11.4 billion forints, while the latter grew by 15.5 billion forints.

In the framework of open market transactions, the MNB organized 23 auctions between the beginning of the year and the end of September, and sold discount treasury certificates having a face value of 19.6 billion forints. The purpose of these sales was to obtain in part 90-day, and in part 180-day short-term financing to cover budgetary deficits. Of these sales, cash in hand amounted to 7.8 billion forints as of 30 September. In addition, central bank certificates of deposit were also sold with a repurchase obligation. The total amount realized from these sales was 13.6 billion forints as of 30 September. At the interbank money market organized by the central bank, the central bank acted as an intermediary for the



outplacement of loans. In this framework a total of 16 billion forints worth of loans was granted.

Investment credits granted by the banks to enterprise and cooperative business organizations amounted to 131.4 billion forints as of 30 September, marking no change as compared to the 1 January level. Borrowing for the purchase of liquid assets amounted to 300 billion forints as of the end of September, which is 70.7 billion forints higher than the 1 January level. This increment was caused primarily by a 62.5 billion forint increase in short-term borrowing; the total amount of medium-term loans increased by 8.2 billion forints.

If one adds the 25.6 billion forint indebtedness by business organizations reflected in notes rediscounted by the MNB to the 131.4 billion forint indebtedness by these organizations to banks, as that amount is reflected in investment credits, and to the 300 billion forints of liquid asset borrowings, it becomes apparent that the combined total indebtedness of the enterprise and the cooperative sphere as of 30 September amounted to 457 billion forints. Compared to the 1 January level, this amount represents a 67.7 billion forint increase.

This increase in loans granted by banks was accompanied by a much smaller increase in deposits received by these banks. The total amount of deposits received from enterprises and from cooperatives held by the banks amounted to 154.9 billion forints as of 30 September. This amount exceeds the 1 January level of similar deposits by only 13.1 billion forints, and more than three-quarters of this increment constituted foreign trade targeted deposits. Other deposits increased by only 3.2 billion forints.

The cause and effect relationship between the level of deposits which may be deemed low on the one hand, and payment problems on the other, is apparent. The total amount of overdue loans as of 30 September amounted to 8.6 billion forints. Although this amount is smaller than it was a year before, the amount almost doubled in the final month. In September, business organizations were forced to take out bridge loans amounting to 5.8 billion forints in order to pay wages. This amount is 38 percent higher than it was a year before. The total amount of bank drafts on overdrawn accounts—standing in line—which could not be paid were at their highest level thus far. As of 30 September these drafts amounted to 73.7 billion forints, about 1.6 times more than they were a year before. The number of enterprises with overdrawn accounts is 240, a 92-percent increase over the number of such enterprises a year before.

During the first three-quarters of the year the populace received 662.1 billion forints from state and cooperative resources, 18.4 percent more money proceeds than a year earlier. The joint effect of several factors prevailed in causing this increment. These include provisions granted since the beginning of the year to offset the deterioration of living conditions, such as wage increases, increased awards, premiums, and social security provisions (child

care support, sick pay), increases in various expense reimbursements (meal contributions, car use fees, per diem), and larger amounts of produce sold by household farms and small farms.

During this 9-month period the populace spent 659.8 billion forints at the state and cooperative sectors, an amount that is 21.8 percent higher than during the same period in the previous year. Within this increment, the 23.4 percent increase in merchandise purchases has a controlling effect. Behind this increment, however, one finds the purchase of not more, but fewer goods in a large number of product categories, because the increase in the amount of money spent was caused decisively by price increases. This can be seen from the fact that while at current prices retail merchandise sales between 1 January and 30 September exceeded the previous year's sales volume by 17.2 percentage points, the same calculation at constant prices (based on the first 8 month's 117.4-percent price index) falls behind the previous year's sales level by 0.2 percent. Only with regard to mixed industrial goods did the sales volume increase. With regard to the rest of the chief product categories the sales volume declined. This decline triggered the accumulation of inventories and also created financing difficulties: In late August the retail price value of inventories accumulated in the consumer goods trade exceeded the inventory levels of a year earlier by 32.9 percent.

During the three-quarters of a year period a particularly significant increase in convertible currency purchases by the populace was recorded. During this period the populace spent four times as much money for these purposes as it did the year before.

The cash on hand increment is 7.9 billion forints less than it was a year earlier. This moderating growth trend could already be observed for about a year, and may be credited to the fact that personal expenditures increase more forcefully than personal income, in response to a continuous increase in amounts spent for (but a decrease in the volume of) merchandise due to price increases, and in response to increasing foreign exchange purchases. The same explains the rising index of the intensity of cash return flow: While during the first three quarters of 1988 98.90 forints of each 100 forints of currency issued flowed back to the central bank coffers, the corresponding figure during the same period this year is 99.40 forints.

#### **Leading German Banker Sees Hope for Resolving Debt Situation**

25000552A Budapest HETI VILAGGAZDASAG in Hungarian 9 Dec 89 p 71

[Interview with Norbert Kloten, chairman of the Baden-Württemberg Land central bank and Bundesbank council member, in Budapest, date not given, by Pal Reti: "Interview Concerning Debt: The Wise Forgive"]

[Text] Western bankers exercised some self-criticism last week in Budapest. At the conference on Eastern Europe's

indebtedness, organized by the Viennese Zentral-sparkasse und Kommerzbank, it was established that "the centralized lending model was one of the main reasons for the present, burdensome accumulation of indebtedness." At the conference we questioned Norbert Kloten, chairman of the Baden-Wurttemberg territorial central bank, and a council member at the Bundesbank—the Federal Republic of Germany's central bank—concerning Hungary's chances of alleviating its debt burden.

[HETI VILAGGAZDASAG (HVG)] It appears that Hungary—a debtor who makes its payments on time—finds itself in a disadvantageous position as compared to countries which have become insolvent, but for whose financial assistance all kinds of plans are being devised these days. Do you think it would be conceivable to devise some debt alleviation technique in Hungary's case?

[Kloten] We need a solution tailored expressly to Hungary's features. It is necessary to consider the fact that Brazil and Mexico have market economies, while in Hungary and in Poland, and perhaps later on in Czechoslovakia and in the German Democratic Republic, along with political and economic changes one will have to establish circumstances in which debt alleviation or the rescheduling of debts may be successful at all. Circumstances regarded by Western investors as suitable for direct capital investment must be established, and normal, bilateral relations between debtors and creditors must be restored; in other words: There must be a situation in which these two parties trust each other strictly on the basis of business. The influx of Western financial assistance may begin only parallel with such change, obviously by way of some kind of special investment bank acting as an intermediary. And such assistance must be targeted: It must serve the purpose of relieving infrastructural bottlenecks. In essence this would be an Eastern European Marshall Plan. These moneys would not have to be repaid, this special bank would again reinvest the money in Hungary at the pace it is recovered.

[HVG] But what should be done until such time that the conditions you mentioned do not exist? After all, the Hungarian economy is struggling with daily foreign payments problems these days.

[Kloten] You are correct; by now even the interest payments exceed Hungary's capacity to make installment payments.

There are a number of possibilities in the short run: One could abandon certain demands, interest payments could be reduced—let's say halved—etc. Or, to mention a current example: In Poland's case we forgave 1 billion marks in debts—this is the so-called Helmut Schmidt Billion—saying that the Polish government should pay its equivalent in zlotys, and that this money should be spent by Poland for cultural purposes. Banks are willing

to write off huge amounts as long as they can clearly see that there is a program for putting the economy in order.

[HVG] Except for the fact that the difference between Hungary and Poland is that the latter is bankrupt already, while Hungary has been repaying its debts punctually for several decades. According to Hungarian bankers this claim to fame may be fatally threatened even by mentioning rescheduling or the settlement of debts.

[Kloten] Indeed, Hungary has done a lot to preserve its credit worthiness. Bavarian banks and banks in Baden-Wurttemberg granted another half-billion-mark loan to Hungary a few weeks ago, and the Bundesbank and the government never exerted any pressure in this regard on the banks because that would shift the burden of responsibility. The banks made their own decisions regarding credits, in response to Hungarian political developments. Accordingly, they regard Hungary as a reliable partner, but just as quickly as creditors will write off a country, they could also overestimate a country's credit capacity.

[HVG] In your view, would the West German banks be willing to make partial reductions in regard to Hungarian indebtedness, or more accurately, in regard to the credits they granted?

[Kloten] This is a matter of negotiations. In Poland's case they have already written off large amounts, moreover, the same thing has been done in regard to Hungary. But do not ask me at this time which bank wrote off how much.

[HVG] Would it be conceivable for part of Hungary's indebtedness to be exchanged for stock or for some other Hungarian investments?

[Kloten] In such cases it is customary to convert part of a country's indebtedness into its national currency. To enable this possibility in Hungary there would have to be investment opportunities on the one hand, and goods on the other. A Western firm would be establishing a joint enterprise in Hungary in vain, if it then had to buy everything in the West for foreign exchange. In this case a firm would not go too far with the forints it received by way of the loan swapping transaction. But Hungary must recognize that improving the country's economic situation must begin from the inside, it must not count on the possibility that prior to such an initiative the problems may be transferred to Western creditors by way of writing-off or rescheduling debts, or in any other way.

[HVG] What are the most important steps to be taken which would indicate to Western creditors that the Hungarian economy has started on the path of improvement?

[Kloten] Something similar to what took place in Germany in 1948, in the days of currency reform, would be needed, although the situation in Hungary today is much more favorable. And yet, within the economy there is a

huge surplus of money which must be tapped somehow, even if not in such a drastic way as was done in Germany by exchanging the old German mark on a 10:1 basis. Accordingly, stringent monetary policies are needed, together with the simultaneous freeing of prices and competition among banks; and clear-cut ownership rights are needed. Simultaneously with the freeing of prices and with stringent monetary policies the supply of goods must be increased, and demand should increase only if the previously mentioned matters have taken place. In order to achieve improvement the forint needs to be rendered convertible, even if in certain areas the forint's exchange rate must be manipulated temporarily. I know very well that neither those who try to preserve their power, nor those who want to acquire power like to accept the responsibility for this brief, transitional period which is accompanied by unpleasant things, nevertheless it is by all means needed.

#### **Maverick Bank President Interviewed**

25000552B Budapest HETI VILAGGAZDASAG in Hungarian 25 Nov 89 p 22

[Interview with Sandor Demjan, Hungarian Credit Bank president, by Rita Bozzai: "A Hungarian Banker Responds: 'Our Bank Has Been Depoliticized'"; date and place not given]

[Text] The Hungarian Credit Bank [MHB] always "throws in" something that shocks either the government, or businessmen, or the greater public. It is a fact that Sandor Demjan (age 46), the present bank chairman and president who became famous in the days when he headed Skala, frequently does things that smell like sulfur. We asked the banking chief what took place relative to the sale of Tungsram and Pet; is it true that part of MHB will be sold; is MHB playing its cards with or against the government; is it conceivable that the bank is financing social democrats?

[HETI VILAGGAZDASAG (HVG)] As a result of its foreign business transactions, the MHB is frequently in the news. Not too long ago the American General Electric Company purchased Tungsram stock from the bank with a 50-percent surcharge, at a higher price than the amount for which it was appraised by the Price Waterhouse auditor. Nevertheless, many feel that the MHB is selling out the country, because you did not accurately inform the public concerning the details of the transaction.

[Demjan] On the other hand, we are pleased that it was possible to make Tungsram stand on its own feet on time. I could also say that used cars are repaired and washed prior to sale. In the cases of Ganz-MAVAG and Pet the opposite took place.

[HVG] And according to information I have, MHB is being accused of having cancelled credits granted to Pet, and that it left that enterprise on its own.

[Demjan] For two and a half years the MHB has been making recommendations as to how that firm could be saved. Moreover, we would have agreed to take a 400-million-forint loss. In the bank's opinion, Pet could have been sold just as well as Tungsram was. Nevertheless, they did not bother too much with this business.

[HVG] Who?

[Demjan] The owners of the firm.

[HVG] More recently there has been talk about the bank itself. To be precise, the state would get rid of part of its stock held by commercial banks. The Council of Ministers will soon decide whether to permit the sale of MHB stock abroad. Who initiated this action? Did you want to become a mixed nationality bank, or did the government force you into this situation?

[Demjan] The Council of Ministers will either approve or disapprove this action, but we are not getting nervous, we are not running anywhere. If the stock is sold at a good price, the profits will go to the owners. Since we are not talking about the issuance of new stock, this does not represent an increase in the bank's resources, i.e. extra money.

[HVG] According to what you say then, it was not the MHB's but the government's idea to take the bank's papers abroad.

[Demjan] According to the original concept, Social Security would have joined the National Central Credit Bank [OKHB] and the Budapest Bank by buying stock, and our stock would have been thrown on the market abroad. Incidentally, the bank's view was that it would not be worthwhile to sell its stock in Hungary, because through that the government would indirectly draw away money from the economy. The other argument holds that the emergence of an MHB stock package worth close to 4 billion forints would depress exchange rates in the Hungarian securities market which is stumbling anyway.

[HVG] In other words, if I understand this correctly, the government hopes to reduce its budgetary deficit in part by leaving the commercial banks—including the MHB—but in the end, selling the stock abroad was your idea.

[Demjan] No. It has occurred from the beginning that the bank's stock could be sold at a better price abroad. And after MHB was audited, and its assets were evaluated by the famous foreign public accounting firm Arthur Andersen, it was their report that evoked foreign interest. We should note here that the matter of who could sell Hungarian enterprise stock abroad, and under what conditions, should be decided quickly. In my view, anyone able to sell a firm at a price 50 percent higher than its real value should be able to make an independent decision. Whoever sells a firm below that price should have to ask permission from the government.

[HVG] What does the 20- to 30-percent foreign ownership mean from the standpoint of the bank's independence? I understand that that is the situation in your

case. Many believe that this ratio is too high in the context of the largest Hungarian commercial bank.

[Demjan] In West European practice a larger than 30-percent share is usually not authorized, but a share of this size is a general phenomenon. On this basis foreigners would be unable to muster a majority for a decision, meaning that they would not have enough strength to force their will upon the MHB leadership. Foreign banks would become co-owners just like any other Hungarian enterprise.

[HVG] In the course of our conversation you frequently mentioned that MHB stock is sold at prices higher than its nominal value, because the bank shows good profits. Bank profits within the entire Hungarian banking system are higher than the average banking profits on an international scale. How can this be explained by a country, which—as an increasing number of people claim—is on the brink of bankruptcy, where the fact that enterprises “stand in line” to collect their overdue receivables paralyzes the economy, where firms would require between 200 and 300 billion forints in order to be able to function appropriately?

[Demjan] The end would come if Hungarian banks would stand on legs as weak as business organizations do. Banking profits are high because they have little capital, and because with that relatively low capital they manage many accounts and provide many kinds of services. It would be a great mistake to believe that banks get rich on the difference between interest paid on deposits and earned on loans. Of the 20 percent interest charged on loans, 18.5 percent must be paid to the state in the form of interest on refinancing credits that were made available to the banks. Half of the remaining profit is taken in the form of taxes, the other half must be paid out in the form of dividends.

[HVG] On the other hand, enterprises complain that banks use various tricks vis-a-vis the enterprises, they cancel loans, charge penalty interest, and so on....

[Demjan] No normal bank would do such a thing without reason, unless it wants to lose its partner. In contrast, the government believes that Hungarian commercial banks are overly patient with the enterprises.

[HVG] Viewed from the outside, however, it seems that the Ministry of Finance manifests patience vis-a-vis the MHB, because in many instances the bank is delayed in implementing governmental measures, if it implements those at all.

[Demjan] It is hard to decide in retrospect whether we would incur a loss or a profit if we were to implement all measures instantly. I have in mind the late 1987 solvency debate between the government and the banks. The MHB is constantly engaged in warfare so that the economy does not fall victim to the alibi-soccer-player bureaucracy, and to some unprincipled politicians who represent selfish interests.

[HVG] As long as we're discussing politics, rumors are that the MHB supports the Social Democrats.

[Demjan] The MHB manages the accounts of not only the Social Democrats, but also of several other parties. This is a service for which the parties pay. They will earn interest if they deposit money. And if they are able to present financial collateral, in the form of a state subsidy or membership dues, they will receive credits. Our bank has been depoliticized; ever since mid-summer no political parties have operated at the MHB.

### **Unions Reject Government's 3-Year Program**

25000542A Budapest NEPSZAVA in Hungarian  
17 Nov 89 p 2

[Unattributed article: “The Government Program Demands Senseless Sacrifices”]

[Excerpts] In the framework of the second agenda item of the National Federation of Trade Unions (SZOT) National Coordinating Council Meeting, and in order to develop a trade union position, SZOT Secretary Laszlo Sandor commented verbally on the government's economic program for the period 1990 through 1992, and on the adjustments planned for the tax system in 1990. He stressed that the government's 3-year program does not contain any substantive new elements. Its continued characteristic is the dominance of financial and budgetary points of view, and the fact that the program disregards the views, recommendations, and reasoning provided by millions of employed persons and by unions.

“We will be unable to support this program because it continues to demand senseless sacrifices from employed persons,” the SZOT secretary emphasized. He added: “Even from an economic standpoint it is inconceivable and incomprehensible that the program simultaneously projects economic stagnation, high inflation, a substantial increase in unemployment, and a decline in real wages. Unions believe in an economic policy that projects itself in the direction of a breakthrough, and provides an opportunity for advancement to a significant part of employed persons. For this reason, the unions hold an opposite view with regard to two of the four economic policy factors. They insist that next year the deteriorating trend of real wage positions be halted, and that the 15-percent inflation rate projected by the government be decreased.

Sandor confirmed that the trade union movement also has a stake in radical structural transformation, nevertheless it is resolved that such transformation should take place on the basis of a well established plan with the involvement of affected interests, and not over their heads. They also want transformation to be accompanied by an adequate preparatory period, realistic chances for returning to work, and for a new start, and by guaranteed social security. Trade unions continue to demand wage reform as a fundamental requirement. It would be necessary to introduce wage reform as of early



1990, partly because as compared to tax reform, wage reform has already been delayed by 2 years, and partly because lifting consumer price controls alone does not suffice for the development of a market economy—labor is an equal partner on the market. Its cost of renewal must be backed by wages. There is a fundamental disagreement in this regard between the unions and the government, because thus far the Ministry of Finance has firmly declined the idea of taking further substantive steps with regard to wage reform and the liberalization of wages next year.

Unions cannot agree with changes planned in the tax system either. Taxation, the average level of taxes, would not be reduced next year according to the proposal, and the negative effects of personal income taxes on productivity would not be moderated. In contrast to its intended function, the tax system did not increase the economy's income producing capacity, it does not ensure a fair distribution of the public burden, and it does not provide a solution for the taxation of invisible income, by now estimated to have reached a level of about 100 billion forints.

Sandor said that in these two proposals the government tries to trick people into believing that it is introducing a substantive change into the economy, even though neither the economic policy program, nor the proposed modification of the tax system serve a conceptually appropriate goal.

The SZOT secretary pointed out the fact that if the National Assembly adopts the government's proposal, meaning that it decides not to introduce wage reform next year, the direct costs incurred by the production of labor will have to be borne by virtue of changes in the tax system, through tax benefits. This can be accomplished by authorizing tax write-offs for such justified expenses, in the form of expense reimbursement. These expenses include, for example, various supplemental payments made to those who work in special, dangerous workplaces that are harmful to the health, as well as shift supplements. On the other hand, Sandor did not recommend a general, favored treatment of overtime compensation, because trade unions must not endeavor to achieve better financial recognition—let alone stimulation—of overtime work, but instead they must strive for labor to be paid for what it is worth when performed during legal working hours. There are certain trades and workplaces, of course, where as of this moment there is much mandatory overtime work on a regular basis, and therefore in such instances it is appropriate to raise concerns and resolve issues relative to overtime compensation.

#### Debate Over Agenda Item Two

[Passage omitted] Andras Barsony, Printers Union representative, firmly pointed out that in light of the upcoming National Assembly elections he did not understand what sense the 3-year government program made, because Hungary will have a new government soon. It is

likely that the new government will be composed differently and will have a different outlook. He condemned the fact that by emphasizing the term "economic emergency situation" the present government openly extorts society and the trade unions in an attempt to disarm critics of the economic policy. Quoting Janos Kornai, Barsony said that inflation is not the wrath of God, but is the result of governmental policies. He recommended that the Coordinating Council reject the program in its entirety. It should do so because the basic concept of the economic policy program is unacceptable—it does not chart a path out of the crisis. He recommended the same with regard to proposed changes in the tax system. [passage omitted]

#### Foreigners' Work Permits To Be Restricted

25000548F Budapest HETI VILAGGAZDASAG in Hungarian 9 Dec 89 p 20

[Unattributed article: "Regardless of How Nice Those Guest Workers Are...."]

[Text] Budapest and county councils usually granted work permits without any problem to foreign citizens holding valid residence permits, we learned at the State Wage and Labor Affairs Office [ABMH]. Having obtained the needed papers, a guest arriving from abroad—irrespective of whether he was in Hungary for a temporary stay, for resettlement purposes, or as a refugee—acquired a right to work according to customary Hungarian practice, to pay pension, social security contributions, and personal income taxes. From the moment a foreigner received the needed papers, the provisions of the Labor Law applied, just as they did with regard to the foreigner's "native" fellow workers.

Nevertheless, a foreign language is spoken almost exclusively at certain construction sites, or in the vicinity of textile or machine industry works, but not because of the large number of individual workers. Many of them are dispatched by their enterprises as "export merchandise funds," and then they work in Hungary. These workers are not subject to Hungarian decrees from the standpoint of wages or social security obligations. Others, for example the decreasing number of Cuban weavers, have been able to take jobs only on the basis of the stringent terms of an intergovernmental agreement concerning worker contingents delineated by industrial branch. But the agreement is going to expire soon, and thus, at least in part, the Cubans will be replaced by female Vietnamese workers arriving here as "enterprise imports."

The large number of Polish miners and trained construction workers also proves that unless top level government offices do not prohibit this practice, Hungarian firms have a right and an opportunity to circumvent the Hungarian labor supply and seek out foreign labor sources. Although a large majority of countries prohibit "recruitment actions" conducted by agents arriving from abroad, established enterprise relations or petitions submitted by local councils are usually successful. In lieu of a small fee paid to the intermediary, or simply because as

a result of this action labor statistics may be improved, foreign partners in general willingly dispatch workers to be hired freely by Hungarian enterprises under the same conditions as individual employees are. As a result of tensions created by increasing unemployment it appears, however, that next year the wave of revising laws will catch up with the employment of foreigners. New provisions to become effective beginning in 1990 are intended to establish a clear situation with regard to the practice of issuing work permits, even though the new laws will still not assess a "protective customs duty" on enterprises employing foreign citizens. The rubber paragraphs that could be interpreted in several ways thus far have left the practical decision concerning approval criteria to the discretion of the person handling a given case. The ABMH claims that beginning next year the primary consideration in issuing a work permit will be the labor situation in a given area. In other words, they will deny the issuance of permits if there are enough appropriately trained Hungarians. The more stringent requirements do not apply to everyone of course, the management of joint enterprises established with the help of foreign capital, famous artists, and scientists who work longer or shorter periods of time in Hungary in response to an invitation by a university will be the exceptions. Considering the fact that Hungary was not the home of "draining brains," the number of the 7,000 foreigners employed this year is expected to be reduced significantly in the future.

#### **Supreme Court Interprets Law on Business Organizations**

25000548B Budapest FIGYELO in Hungarian  
23 Nov 89 p 24

[Text] During the past few days the Economic College of the Supreme Court has handed down three opinions in response to questions posed by courts of registry, concerning the interpretation of certain provisions of the Law on Business Organizations. These are as follows:

(1) The basic capital of a limited liability corporation must not be less than 1 million forints, and the total amount of money deposits at the time of founding must be no less than 500,000 forints. A company may be registered only after at least half of each individual deposit has been paid.

In practice it became questionable how these rules relate to each other, i.e. whether a limited liability corporation may be registered only after the payment of 500,000 forints, or after a payment of 250,000 forints has been made. Various courts of registry interpreted this provision in different ways (in places with large clientele they generally insisted on the payment of 500,000 forints). This, in turn was in conflict with the principle of competition neutrality.

The Supreme Court clarified the thus far ambiguous issue: The payment of a minimum of 500,000 forints in cash is the preliminary condition for registering a firm.

(2) Whether a member of a business organization may make available to a company his business, technical, or organizational knowledge and know-how of value in the form of a non-monetary contribution emerged as an issue in practice. The uncertainty stems from the wording of the law, which provides that non-monetary contribution may be made in the form of a saleable intellectual creation of value.

The Economic College took the position that know-how, as an intellectual creation, does represent value and is saleable, and that therefore it may be used in the form of a non-monetary deposit (contribution).

(3) The Law on Business Organizations failed to clarify the legal capacity of a limited liability corporation member when he performs his functions as the elected managing director. Such persons are not impeded in establishing an employment relationship with the company.

On the other hand, the question arose whether a limited liability corporation may establish employment relationships with its members other than the managing director, or if such members may perform work only in the form of a supplementary service.

The opinion states that there is no impediment in the way of establishing employment relationships with members of the limited liability corporation other than the managing director. Accordingly, personal involvement does not qualify as a supplementary service, as long as in regard to such performance a work contract or some other legal relationship (e.g. authorization) has been established between the limited liability corporation and its member.

#### **Ruble Trade Surplus Probed**

25000541F Budapest NEPSZABADSAG in Hungarian  
18 Nov 89 p 8

[Interview with Pirooska Apro, deputy minister of commerce: "Did Socialist Import Go Bankrupt?"; date and place not given]

[Text] One of the greatest concerns of the Hungarian economy in 1989 is the forced surplus achieved as a result of trade with socialist countries. Already on 15 November the Soviet Union owed us 640 million rubles, and there are other countries who are not performing on their contracts. On top of this, rumors have it that recently—perhaps in response to the stormy political changes—this trend, unfavorable from the Hungarian standpoint, has worsened.

[NEPSZABADSAG] Is it true that as a result of this even the German Democratic Republic is failing to deliver?

[Apro] That is not true. If anything, trade with the GDR is straight in this area. They perform very appropriately.

[NEPSZABADSAG] Accordingly, would it be true that it is only the failure on the part of the Soviet Union to deliver that causes concern?

[Apro] As of the first of November we had accumulated an 861-million-ruble surplus from trading with CEMA countries. Of this amount, the Soviets alone owe us 640 million rubles. Other countries are also significantly behind: Poland owes us 70 million rubles, and Bulgaria 42 million rubles. (Considering the trade volume, the latter figure is particularly high.) Our partners explain their delayed deliveries with the shortage of base materials. For this reason they continue to owe us substantial quantities of ethylene glycol, fertilizers, soda, wood products, and cellulose. There is a substantial delay in the delivery of Lada and Niva personal cars we ordered.

According to Commerce Ministry data however, it is not only the failure of shippers to deliver that is causing the Hungarian surplus. The inclination of domestic buyers to purchase has decreased; they do not want deliveries on some items that were included in agreements.

[NEPSZABADSAG] Would it be only the lack of money in Hungary that causes cancellations?

[Apro] Obviously, this is the reason for cancelling construction industry, mining, and agricultural machinery, as well as public road vehicle orders. Nevertheless, part of the cancellations can be attributed to import liberalization. This is the reason for cancelling orders for socialist origin computer and entertainment electronics equipment and electronic parts. Hungarian firms can buy better quality for less money from the West.

[NEPSZABADSAG] What is the solution then?

[Apro] This situation cannot be maintained. On 1 November socialist imports fell below last year's level by 8 percent, while our exports increased somewhat (0.8 percent). The only available solution is for us to reduce this surplus in the course of preparing mercantile trade memoranda—significant reductions in Hungarian exports will be necessary.

### **Stock Corporation To Provide Private Health Insurance**

25000541B Budapest NEPSZAVA in Hungarian  
16 Nov 89 p 5

[MTI report followed by commentary by "(I.m.)"]

[Text] Radius-Hungaricus, Inc. has established two new private stock corporations. Subscriptions to the new stock will be accepted at Mezobank, Inc. branch offices beginning on Wednesday [22 Nov].

Alfa-Omega Health Insurance Company, Inc. has a founding capital of 1.1 billion forints. Of this amount 500 million forints were subscribed to by the parent company, while stock worth 600 million forints will be made available for subscription at 10,000 forints per

share nominal value to private persons and entrepreneurs. The new stock corporation is the country's first health insurance venture. Plans call for the establishment of a health insurance system and for health care provisions at European standards.

Diameter Investment and Development Bank, Inc. will be part of a new kind of banking system.

The bank's purpose is to aid privatization by providing workers one-third ownership in the form of free of charge stock from the enterprise's assets.

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A new color on the palette.... It fits the picture, they say. It is beneficial that there will be a private health insurer. It benefits everyone able to pay, because it most certainly will not be cheap. One can hardly become rich by delivering free service provisions. One cannot fully rejoice over this expansion of choice because it raises concern that this new addition will not ameliorate the concerns of the health care network that functions (with difficulty). Moreover, the workforce attracted to this enterprise—the number and quality of physicians and nurses—will not be in proportion with the responsibility assumed. Nevertheless, a legally functioning sanatorium will be able to make enough excuses to say that, in contrast to one or another of its self-employed associates, it is not operating a state institution for private benefit.

## **POLAND**

### **Government's Antimonopoly, Anticooperative Maneuvers Discussed**

90EP0148A Warsaw RZECZPOSPOLITA in Polish  
23 Oct 89 pp 1, 2

[Interview with Marek Dabrowski, secretary of state, Ministry of Finance, by Krzysztof Bien: "The State Takes Action Against Monopolies"; date and place not given]

[Text] [RZECZPOSPOLITA] First the announcement that the central cooperative unions would be liquidated, now an announcement of a new law on fighting monopolistic practices. This means that the monopolies should be trembling in their boots.

[Dabrowski] After all, the government's economic program clearly called for an all-out battle with monopolies. Now the government is beginning to take this action.

[RZECZPOSPOLITA] We already know about the cooperative unions. But what is being proposed in the law on fighting monopolistic practices? In the new law, because a similar law has already been on the books for some time.

[Dabrowski] In addition to removing the antimonopoly department from the Ministry of Finance and making a separate organ out of it directly under the Council of Ministers, it is expected that not only written contracts

can be deemed to be monopolistic agreements, but oral contracts also. And in addition to such practices as imposing hardship conditions in contracts, making the signing of contracts dependent on the fulfillment of some kind of completely unwanted services or the withholding of sales in anticipation of a price increase, the abuse of a dominating position will also be forbidden. The practice of entering into price agreements will absolutely be forbidden.

There are more such anticipated changes. Generally speaking—because it is difficult to describe the entire draft law here—penalties will be more severe, the entire procedure of antimonopolistic proceedings will be accelerated, and top-level interference in organization structures will also be increased.

[RZECZPOSPOLITA] The latter are the most agitating now, but at the same time they inspire hope. Will this law speed up the deconcentration processes?

[Dabrowski] We must make a distinction between two matters. The law against monopolistic practices will be directed against precisely these behaviors by independent economic organizations. That is, against the reprehensible initiatives of the bottom levels.

But in Poland we must also deal with monopolistic behaviors created by the central authorities, by the state, as a result of the application, in the past, of the command-directive system of management, the closed character of our economy, the chronic lack of balance and the making of allocation decisions centrally. This is the economic policy which created these organization structures. They must be fought from the top levels, too.

[RZECZPOSPOLITA] But the concentration of production in those fields which the government now wants to deconcentrate as, for example, coal mining, is not something which is unknown in the world. For example, in the FRG, two-thirds of the coal is supplied by one firm—Ruhrkohle AG.

[Dabrowski] Comparisons with the West are often risky. Of course there is concentration in the West, but it arose by way of capital and not administratively. Our situation is different. Coal mining cannot be made to respond to market incentives and the financial accounting system in mining cannot be put into order without breaking up the organization structure which exists today. Without making them self-dependent, and in the future even privatizing some of the mines. Later, when the market becomes open, some new kinds of concentrations can be formed, but capital and not administrative.

[RZECZPOSPOLITA] Therefore the state will now fight what it itself created in the past.

[Dabrowski] Yes, for many years, even while economic reform was underway, actually until the Messner government fell, concentration processes continued. Not until Rakowski's government did a departure from this policy begin, as shown clearly by the liquidation, by the central

authorities, of associations and some enterprises. But at the same time, Cukropol was formed simply to fulfill monopolistic purposes.

Now we have to go further. There must be a few deep interventions in the existing structures inherited from the previous economic system. But this will be based not on the law on fighting monopolistic practices, but on special legal acts, e.g., special decisions of the president of the Council of Ministers which have their basis in the law on some conditions for the consolidation of the national economy.

[RZECZPOSPOLITA] An example of such special action is the draft law pertaining to cooperative unions. But it is being criticized because similar methods, also administrative, are being applied against the administrative structures. This applies, for example, to the assets of the cooperative unions.

[Dabrowski] I said that the actions must come from the top. As for the assets, the solutions proposed are of an economic nature. After all, these assets must be sold through a bidding system.

[RZECZPOSPOLITA] But the cooperatives believe that they will now have to buy that which they previously worked and paid for.

[Dabrowski] One moment, no one is taking away anything. Two things are being confused—the materials assets and the value which it represents, i.e., capital. The materials assets will be sold, but the capital will remain at the disposal of the Chief Cooperative Council which will determine how it will be used. For example, it may be divided among the member cooperatives, perhaps used in a different way, transferred gratuitously on non-gratuitously.

However, we want to avoid a situation in which the assets are given away gratuitously. This would be a dangerous precedent from the standpoint of future changes in forms of ownership.

There are also other arguments. Naturally, the union's assets were formed from the assets of the affiliated cooperatives, but in large measure they were also formed from state subsidies and free, partially frozen, credits. Therefore, to whom do these assets really belong? There is a great deal of demagoguery in the charges being made.

[RZECZPOSPOLITA] Why did the government's fight against monopolies begin specifically with the cooperatives?

[Dabrowski] It did not begin just with the cooperatives. After all, work is underway on breaking up the monopoly in coal mining. We also want to demonopolize the state Agroma and other state monopolies.

However, the monopolistic cooperative unions play a special role in our country because they function in a very socially sensitive area of the consumer market and also in the area of farm production and services. That is



why the following are also in the picture: the dairy industry, rural and urban trade, rural transport, the horticulture and bee-keeping cooperatives, and farm-product processing.

But we are talking about more than just the cooperatives. On the basis of the consolidation law, for example, we want to divide, how do you say it, all the way to the bottom, the district meat-industry enterprises. There is already a management draft on this matter prepared by the president of the Council of Ministers. A similar draft pertaining to Cukropol, mentioned earlier, is being prepared. We are also looking at the possibility of deconcentrating the grain-milling industry.

[RZECZPOSPOLITA] In any case, division alone is not enough. Monopolistic positions are created not only by the size of economic units, but also by some tax regulations and by all kinds of regulations on distribution, intermediation in turnovers, and government orders.

[Dabrowski] Yes. That is why we propose their elimination effective 1 January 1990.

[RZECZPOSPOLITA] But some monopolies are of a natural character. Does the government want to fight them, too?

[Dabrowski] What does that mean, natural? There are technical monopolies, as for example, the production of electrical power or railroad transport. No one is talking about fighting them, but there is nothing standing in the way of creating certain forms of competition. The law on entrepreneurship, passed by the previous Sejm, provided the legal conditions for this. Opening up the Polish economy to the world, which is what the government intends to do, will also have an effect on the desired growth in competition.

Let us tell ourselves frankly, that the model of a freely-competitive 20th century market does not function anywhere in the world today and is not attainable in our country either. In any case, this is not necessary. All that we can attain is a model of oligopolist competition with the participation of the world market. And this is what the government is aiming for.

[RZECZPOSPOLITA] Everything, and at the same time, so very much. Thank you for the interview.

## YUGOSLAVIA

### Increased Pollution of Rivers Noted

90EB0116A Belgrade PRIVREDNI PREGLED in  
Serbo-Croatian 9 Nov 89 p 10

[Article by Andjelka Bogdanov: "Charges Against Rivers Flow In—Yugoslav Stream Pollution Already Threatens Normal Life Around Them"]

[Text] The Executive Council of Slovenia recently prohibited use of water from the Drava Plain in the food industry of this region and ordered daily inspection of food industry products. The reason for this decision by the Slovene republican authority is the excessive and impermissible amounts of chemical and other hazardous substances. Pollution has been found to be several tens to 2,000 times above the permissible levels, and according to experts may have carcinogenic and genetic consequences. And so this water is not for human use.

The approximately 100,000 inhabitants thronging the Drava Plain are supplied with water in special water tanks from areas where the water is not contaminated, and the building of a new water pipeline from Maribor to Slovenska Bistrica and Ptuj is in progress. The first alarm was sounded in Gorenjsko, and then in the Drava Plain. Tests have shown that 90 percent of the subsurface water in Slovenia is polluted. The situation is no better in other parts of the country in which, unlike Slovenia, very few tests are conducted to measure the pollution of subsurface water. The water quality level has otherwise been monitored by health service establishments since 1979 over the entire country. The test results are modest and inadequate, the reason being a lack of money.

### Pollution Comes From the North

According to the criteria of the Resolution on Maximum Permissible Concentration of Radioactive and Hazardous Substances and the data of the Economic Chamber of Yugoslavia, the most heavily polluted rivers are the Mura, Drava, Tamis, Begej, and Vardar, while the cleanest bodies of water are the Bojana and Skadarsko jezero [Lake Scutari]. The Mura and Drava are already heavily contaminated when they enter Yugoslavia. The ammonia content is 100 percent above the permissible level in the samples taken, and the mineral oil content is just as high. There is also significant bacteriological pollution.

The Danube is also polluted as it flows through Yugoslavia: ammonia 80 percent, phenol 70 percent, and mineral oils 23 percent above the permissible level in the samples taken. Every other sample exceeds the prescribed level of bacteriological contamination. In our country the river receives far less additional pollution, and the Danube is cleaner when it leaves Yugoslavia. The price for this cleanup is paid by Djerdapsko jezero [Lake Djerdap], which, according to the secretary of the Water Resource Management Association of the Economic Chamber of Yugoslavia, Zeljko Karaula, has

become the largest European waste dump. Tests on heavy metal concentrations in the tissues of fish and shellfish conducted from 1986 to 1988, as measured at Belgrade, show that there are no higher concentrations in fish. The concentrations of lead and cadmium are higher in shellfish, however, and they are growing.

We must remember that there are 20 nuclear power plants in the drainage basin of the Danube. Measurements made in April 1986 showed no variations from level zero, but the radioactivity of the Danube's waters has been increasing since the Chernobyl accident, but not, we are officially informed, above a level considered to be hazardous. Measurements made in 1987 and 1988 show that the radioactivity has been declining, but that it is greater than it was before the Chernobyl incident.

A further stroll along our rivers presents this picture. The Tisa is more heavily contaminated with ammonia and microorganisms; the Tamis is more heavily polluted than the Danube and Tisa in all respects; and the Begej is heavily charged with heavy metals and bacteria. According to a report issued by the Water Resource Management Association of the Economic Chamber of Yugoslavia, for the time being there is no oxygen in the waters of this river, and anaerobic processes are taking place which are interfering with natural cycles.

The Sava is showing signs of reanimation after the critical 1984-1985 period. The picture is brighter with respect to nitrites, petroleum, and cadmium, but darker when it comes to phenols and multiform bacteria. Even though the water of this river is far from being clean, there are hopes of preserving this water resource. The Vardar is heavily polluted, and the concentrations of detergents, heavy metals, and multiform bacteria exceed all permissible levels. This situation has persisted for several years now, with no indication that the water of this river will improve, and so it flows out of Yugoslavia polluted. Lake Ohrid is also polluted, with organic waste, detergents, and heavy metals. In a significant number of samples, the levels exceed permissible limits.

### Compensation for Damage and Effective Tools

The Bojana is relatively clean, as is Lake Scutari, in all respects. At the same time, these two bodies are the only oases of clean water that can be used to supply water to the Southern Adriatic coastal region. The Adriatic and Yugoslav coastal waters are for the time being classified as clean sea water areas (except for the Brigita Montenari incident), but there is no adequate monitoring along the entire coast. Although we know what must be done, and who should do it, to protect this limited water potential from the destructive effect of technology, it does not mean anything because there is no money for protection. However, this excuse will not be tolerated any longer, or at least this is the position both of the Association for Water Resource Management of the Economic Chamber of Yugoslavia and of all other authorities in the country. The overall social climate is also different; the ordinary citizen is fed up with living in a polluted environment.

The legal, organizational, and economic conditions are being created for dealing with the situation.

The entire body of water resource legislation is being amended to give the federal government greater authority. The principles of stream management are also new. Public enterprises will be set up for individual drainage areas. They will perform all the functions of such concerns in the developed countries. A novel feature introduced is compensation for use of water resources and payment by a polluter of costs for protecting water, the minimum amount being the cost of treating polluted water. The price must be paid to protect a water resource, and, according to Karaula, this is not solidarity funding but a purely economic category. That is, a decision will be made in the foreseeable future regarding choice of clean technologies, because it is not in an enterprise's interest to pay an "ecological tax," but to hold its costs to the lowest possible minimum. It will take time to replace the obsolete, dirty technologies with clean new ones because of the chronic insolvency of the Yugoslav economy. However, as the world market becomes increasingly discriminating and critical toward the problem of protecting the environment, the economy

of Yugoslavia must join the European and world ecological wave as soon as possible.

The standards which Europe has introduced, for drinking water, for example, are identical to ours, and this year we joined the OECD Council. This will mean nothing, however, unless these standards are observed in practice. If contaminated water is used in the food industry, Yugoslav products will be excluded from the world market. In addition to these standards, Europe has also introduced standards for water quality in swimming pools. Tourism may also depend on this factor.

The chemical, pharmaceutical, paints and varnish, and power engineering industries are universal polluters of water, and so also of land. In addition to these well-known poisoners, users of pesticides in agriculture also pollute water. Remember that several years ago the floodplain of the Po River in Italy was excessively contaminated with hazardous substances. The Italian government lowered the water pollution tolerance level, thereby forcing users to reduce the use of pesticides. We have an overabundance of experience available to draw on; it is high time for us to begin to use it.

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